

West Lavington Parish Council

Internal Audit Report 2022-23

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Background and Scope

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 Annual Governance and Accountability Return (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, based on information available on the Council's website and that provided by the Clerk.

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 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 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

Based on our 2022-23 programme of work, we have found important areas of the Council's governance where we are unable to give an assurance, despite several requests to the Clerk. We have also made recommendations in this report where the Council is, or is likely to become, not compliant with legislative requirements. These issues require urgent attention by the Council.

We have duly completed and signed-off the 'Internal Audit Report' in the year's AGAR assigning appropriate assurances in each relevant area. We attach an Action Plan, detailing the specific recommendations made, which we would ask the Council to complete and return in due course.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliation

The Clerk maintains the Council's accounting records using a spreadsheet, which is appropriate for the volume of annual transactions. However, while categories of expenditure are noted, proper segmental analysis would avoid considerable sorting to aid budgetary control and reconciliation of the AGAR.

Four bank accounts are in use with Lloyds - a Current account for everyday transactions, two Deposit accounts (one general, and one for playground balances, both seldom used), and a 32-day Notice account for Community Infrastructure Levy (CIL) receipts.

We have checked and agreed a sample of cashbook entries for the financial year to bank statements, with no issues arising.

We note that the monthly bank reconciliations reported to Council meetings are checked and signed by an independent Councillor, which meets the requirements of Financial Regulation 2.2.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust series of corporate governance documentation in place, that Council meetings are conducted in accordance with the adopted Standing Orders (SOs) and that no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that the Council undertakes an annual review of both Standing Orders and Financial Regulations (FRs) at its AGM each May, in line with the latest NALC Model forms. The latest versions of these documents show that tendering levels are now consistent at £10,000.

We have examined the Council's Minutes for the year 2022-23 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 nor is considering any actions that may result in ultra vires expenditure.

Despite several discussions with the Clerk, we can find only limited information on the Council's website that meets the requirements of the Transparency Code 2015. More seriously, we find that the full version of the signed AGAR (especially Sections 1 and 2) for previous years are not available on the Council's website, which is a statutory requirement under the Accounts and Audit Regulations.

We have confirmed that Exercise of Public Rights with regard to the 2021-22 accounts was properly undertaken with regard to the Accounts and Audit Regulations.

Conclusions and recommendations

R1. The Council must ensure that a full suite of information, as required by both the Accounts and Audit Regulations and the Transparency Code 2015, is properly and publicly available on the Councils website.

Review of Payments & VAT

We have reviewed all 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
- Appropriate procedures are in place for the review approval and payment of invoices received
- The Council at a Council meeting approved each payment, and
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts.

At the time of audit we have not been given any data in this area to undertake substantive testing (for 2021-22 we were given a complete file of payments). Therefore we can offer no assurance in this important area of internal control. However, we note that transactions are properly recorded in the Council's Minutes.

We note two VAT reclaims in the 2022-23 cashbook, one relating to 2020-21. However, we have been given no information to enable us to reconcile the claims to the cashbook.

Conclusions

We are unable to provide any level of assurance in this important area.

Assessment and Management of Risk

We note that the Council reviewed and updated its Risk Register in May 2022 in line with the requirements of the Governance and Accountability Manual and Financial Regulations. We also note ongoing scrutiny by the Council's Risk Committee.

Following the concerns expressed in previous reports, we have again not been given an insurance policy for the year under review. We have, however, been given an insurance policy for the period 8 June 2023 to 7 June 2024, taken out with Aviva via BHIB Brokers. This policy shows Public Liability and Employers Liability cover of £10 Million each, Fidelity Guarantee of £150,000, and Official Indemnity of £500,000, along with a good level of All Risks cover for the Council's assets. This level of cover is consistent with other Councils of a similar size.

We note some evidence in the Minutes that, alongside an independent annual safety inspection, playpark inspections are being undertaken by Councillors, although more training is required.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation.

Budgetary Control and Reserves

We note that the Council considered its budgetary requirements for 2023-24 and adopted a Precept of £34,333 at the January 2023 meeting. We note that the Council continues to monitor its budget at each Council meeting.

We have not been given any specific evidence of Earmarked Reserves as at 31 March 2023. We note considerable CIL receipts during the year, which will undoubtedly count as such. We are, therefore, unable to give an assurance as to whether the Council's reserves are appropriate.

Conclusions

We are unable to provide any level of assurance in this important area.

Review of Income

The Council receives relatively limited annual income generally in the form of the annual Precept, reclaimed and refunded VAT, limited bank interest and other miscellaneous donations. It has, however, as referred to above, received large sums in 2022-23 from CIL. We have checked and agreed cashbook transactions to bank statements for these transactions with no issues arising.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation.

Petty Cash Account

No petty cash account is operated by the Council. Therefore, we have no issues to raise in this area warranting formal comment or recommendation.

Review of Staff Salaries

We have checked monthly salary payments for both the a current and former Clerks to determine whether payments are in line with standard NJC terms and conditions, and that appropriate deductions are made at source and paid over to HMRC on a timely basis. We have found no issues of concern.

The payroll service is maintained by an external contractor.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation.

Fixed Asset Registers

The Governance and Accountability Manual (G&AM) requires all councils to maintain a record of all assets owned, valued at original net purchase cost or, where that value is unknown, a reasonable valuation that can be a nominal £1. These values only then change due to acquisitions and disposals in each year.

We believe that the Council's Asset Register, and the valuation as at 31 March 2023 recorded on the AGAR, is in line with this requirement.

Conclusions

We have no issues to raise in this area warranting formal comment or recommendation.

Investments and Loans

The Council currently maintains its balances in a range of Lloyds Bank accounts. The amalgamated balance of £96,453 as at 31 March 2023, and the planned receipt of further CIL receipts, indicates that the Council should put an Investment Strategy in place in accordance with Section 15(1)(a) of the Local Government Act 2003, which makes such a strategy a requirement if the Council holds balances in excess of £100,000.

Conclusions and recommendations

R2. The Council should formulate an Investment Strategy for its cash balances, as required by statute.

Statement of Accounts and AGAR

The AGAR, Section 2, now serves as the Council's statutory Accounts, which, together with the Governance Statement at Section 1 is subject to external audit review and certification.

We have checked and agreed the detail on the AGAR to the analysis of receipts and payments as set out in the cashbook although, as we note above, this is not a straightforward exercise. We originally noted that all the CIL and Grant receipts for the year had been included at Section 2, Box 2, which is solely for the annual Precept. This has subsequently since been amended. While we note that, unlike in 2021-22, the Staff Costs at Box 4 do not include the Clerk's Working from Home Allowance, we have determined a payment for expenses that has incorrectly been included at Box 4. We have referred this to the Clerk for amendment – the correct total for Box 4 is £5,828, with a concomitant addition to Box 6 (All other payments).

Conclusions

Based on our conclusions above reached from our review programme, we have duly signed off the IA Certificate in the year's AGAR assigning appropriate assurances in each relevant area.

Rec. No.	Recommendation	Response
Corporate Governance		
R1	The Council must ensure that a full suite of information, as required by both the Accounts and Audit Regulations and the Transparency Code 2015, is properly and publicly available on the Councils website.	
Investments and Loans		
R2	The Council should formulate an Investment Strategy for its cash balances, as required by statute.	