

Hoton Parish Council

Internal Audit Report 2022-23

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*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 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 undertaken our review for the year remotely: we wish to thank the Clerk for assisting in the process, providing all necessary documentation in electronic format to facilitate completion of our review for the year and sign off the Internal Audit Certificate in the year's AGAR.

This report records detail of the work undertaken in respect of the 2022-23 financial year which we finalised in our office 14/06/2023.

Internal Audit Approach

In undertaking the review for the year, we have had regard to the materiality of transactions and their susceptibility to potential mis recording or misrepresentation in the year-end Statement of Accounts and AGAR. Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that 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 several internal control objectives.

Overall Conclusion

We have concluded that, based on the satisfactory completion of our programme of work undertaken during our audit, the Council has maintained generally adequate and effective internal control arrangements. We are pleased to acknowledge the quality of records maintained by the Clerk and thank her for her assistance.

We have completed and signed the 'Internal Audit Report' 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.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

Our objective in this area has been to ensure that accounting records are being maintained accurately and on a timely basis, and that no anomalous entries appear in the cashbook.

The accounting records have again been maintained using an Excel spreadsheet, which we consider appropriate for a council of Hoton's size. The Council operates a current account and business reserve with Nat West Bank PLC.

To ensure the appropriateness and accuracy of the recording of transactions, we have:

- Confirmed the carry-forward of prior year closing balances to 2022-23.
- Ensured that the spreadsheet affords appropriate analysis of receipts and payments.
- Checked and agreed the cashbook spreadsheet detail for the full year to supporting bank statements.
- Verified the bank reconciliation detail on the bank account as of 31st March 2023 also ensuring the accurate disclosure of the balance in the year-end Accounts.

Conclusions

We are pleased to report that no matters have arisen in this area of our review process warranting formal comment or recommendation; we have ensured the accuracy of the year-end balances reported in the detailed Statement of Accounts and AGAR.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

We have reviewed minutes of Council meetings held during 2022-23, the principal aim being to consider whether any issues exist that may have an adverse effect on the Council's financial stability in the short, medium or longer term, also that, as far as we may reasonably be expected to ensure no indication exists that the Council may either be considering or have taken decisions that might result in ultra vires expenditure being incurred.

We are pleased to note that the Financial Regulations were updated at the meeting held on 12th December 2022 (minute ref. 9b). Standing Orders have also been reviewed.

Conclusion

We are pleased to report that no matters have arisen from this review area requiring formal comment or recommendation.

Review of Payments

We have reviewed the procedures in place for receiving invoices, checking their authenticity, accurate detail recording, processing by the Clerk and formal approval for payment by Members. Our objective is to ensure that:

- Payments have been made in accordance with the Council's approved procedures and budget for the financial year.
- VAT has been calculated correctly and is recovered at appropriate intervals.
- Payments have been correctly analysed in the cashbook and year-end Statement of Accounts prepared for members.

As part of our payment review, we have examined all cashbook transactions to the bank statements.

Conclusion

We are pleased to report that no matters have arisen from this review area requiring formal comment or recommendation.

Assessment and Management of Risk

Our objective is to confirm that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and operational / health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks to minimise the opportunity for their coming to fruition. We are pleased to note that:

- An updated Risk Register was reviewed and adopted at the Council meetings held in on 3rd April 2023 (minute ref. 11/23 b).
- The Council's insurance cover is provided by Local Councils: we have examined the current policy schedule and consider that it meets the present needs of the Council with both Public and Employer's Liability at £10 million and Fidelity Guarantee cover of £50k.

Conclusions

We are pleased to report that no matters have arisen from this review area requiring formal comment or recommendation.

Budgetary Control and Reserves

We are pleased to note that the Council considered and agreed the budget and precept for 2023-24 at its meeting held on 12th December 2022 adopting the latter at £13,340 (minute ref. 5a). We also note that information relating to the budget and performance to date during the year was considered when determining the 2023-24 budget and precept requirements.

Members continue to receive regular updates of the financial position at each council meeting, with details of the bank balances, income received and payments either made or due for approval. Each quarter a budget review is presented to the council.

At the year end, total reserves stood at £25,404 which is over the generally recognised guidance of between 3 & 6 months' revenue spending. We note however that there are some ongoing projects including replacement of an item of play equipment.

Conclusions

We are pleased to report that no issues have been identified in this area warranting formal comment or recommendation.

Review of Income

The Council receives limited income by way of the annual precept, grants, and the burial ground. We have checked and agreed in full the cashbook transactions to bank statements.

Conclusion

We are pleased to report that no matters have arisen from this area of our review that require a formal comment or recommendation.

Petty Cash

The Council no longer operates a petty cash account, with any out-of-pocket expenses incurred by the clerk reimbursed routinely throughout the year.

Review of Staff Salaries

In examining the Council's payroll function, our objective is to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and National Insurance Contributions (NIC).

- Noted that the Clerk is the only employee working 8 hours per week; payroll is processed using the HMR&C Basic PAYE Tools software.

Conclusion

We are pleased to report that no matters have arisen from this area of our review that require a formal comment or recommendation.

Asset Registers

The Governance and Accountability Manual requires all councils to develop and maintain a register of assets identifying detail of all land, buildings, vehicles, furniture, and equipment owned by the Council.

We are pleased to note that the Clerk had prepared an asset register on an excel spreadsheet. This has been updated for the 2022-23 financial year.

Conclusions

We are pleased to report that there are no significant issues arising in this area of our review process warranting formal comment or recommendation. We have ensured the appropriate recording of these assets in the AGAR.

Investments and Loans

The Council has no loans repayable either to or by it, nor are any funds held in long-term investments.

Statement of Accounts and AGAR

The AGAR now forms the Council's statutory Accounts subject to external audit scrutiny and certification. We have reviewed and verified the accuracy of detail contained in the AGAR Section 2 by reference to the financial information set out in the spreadsheet cashbook.

Conclusions

We are pleased to report no issues have been identified in this areas of our review process warranting formal comment or recommendation and, on the basis of our review work, we have completed the Annual Internal Audit Report of the year's AGAR assigning positive assurances in each relevant area and would ask that we be provided with detail of the completed Sections 1 & 2 once they have been adopted by Council and been signed off by the Chairman and Clerk/RF