



Bray Parish Council

Internal Audit Report 2022-23 (Final)

Chris Hackett

For and on behalf of Auditing Solutions Ltd

Background

Statute requires all town and parish councils to arrange for 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 both at our offices in advance of and during our two visits to the Council on 2nd March and 27th April 2023. We thank the Clerk for providing all necessary information in a combination of electronic and hard copy format to assist in our completion of reviews.

Internal Audit Approach

In undertaking our review, 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. Detail of the areas examined is set out in the following detailed report.

Our programme of cover is designed to afford appropriate assurance that the Council's financial systems are 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' in the Council's AGAR, which requires independent assurance over specified internal control objectives.

Overall Conclusion

We have concluded that, based on the work undertaken, the Clerk and Council continue to operate adequate and effective internal control arrangements. We have signed the IA section of the AGAR assigning positive assurance against the control objectives.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk uses Sage software to maintain the Council's accounting records with various bank accounts in place: two at Lloyds (Current & Deposit) and one each with the CCLA Deposit Fund, Nationwide Building Society and Unity Bank.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. Consequently, we have:

- Agreed the opening trial balance detail in the financial software with the closing detail for 2021-22 in the SAGE system;
- Reviewed the external auditor's report on the 2021/22 AGAR to confirm there were no matters requiring our follow up;
- Ensured that an appropriate nominal ledger income and expenditure coding structure remains in place;
- Discussed arrangements for backing up the accounting records, which we understand is done daily by the Council's IT support provider;
- Confirmed the SAGE accounting system was in balance at the time of our two reviews by obtaining a trial balance from the system;
- As a sample, checked and agreed detail on all account "cashbooks / nominal ledger detail" for January and March 2023 from the bank statements to SAGE, and
- Checked to ensure the accuracy of the combined account month-end bank reconciliations at 31st January and 31st March 2023 by reference to the underlying bank statements.

Conclusions

The accounts are in balance with regular reconciliations being completed with no anomalous or aged adjusting items. We note reconciliations are signed by the Clerk and the Chair of Finance.

We have agreed the accurate disclosure of the combined year-end bank balances in the 2022/23 AGAR at Section 2, Box 8.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust series of corporate governance documentation and procedures in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we may reasonably be 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:

- Completed our review of the Council's minutes for 2022-23, examining those for the Full Council and the various Standing Committee meetings (with the exception of those relating to Planning issues) as posted on the website;

- Noted the Council adopted its Standing Orders and Financial Regulations at the Council meeting in May 2022 and further that it reviewed Financial Regulations again in March 2023;
- Confirmed the Council advertised the audit of its 2021/22 accounts by publishing the notice of public rights; and
- Noted that details of larger payments are posted on the Council website detailed on the Transparency page.

Conclusions

We are pleased to report that no issues have been identified in this review area 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 approved budgets;
- 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;
- That members are provided with and approve schedules of payments made; and
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount.

We discussed with the Clerk the arrangements for processing payments confirming invoices are subject to member review with the Clerk setting up the payments.

To gain assurance in this area we have tested a sample of payments to supporting documentation. Our sample covers the period April 2022 to March 2023 including all payments in excess of £1,500, together with every 30th payment as recorded on the Sage paid invoices report/cash book. Our test sample includes 26 individual payments totalling £33,981 equating to 26% by value of all non-salary payments in the year.

We also note that VAT Returns continue to be compiled and submitted to HMRC quarterly through the Sage software for repayment.

Conclusions

Suitable documentation was provided to support the payments in our sample. The Council has arrangements for processing payments.

Assessment and Management of Risk

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks in order to minimise the opportunity for their coming to fruition. We:

- Note the Council adopted its 2022/23 financial risk assessment in May 2022. This describes a suitable range of financial risks and the mitigations to address them;
- Have examined the Council's 2022-23 Zurich insurance policy, noting that Employer's Liability cover stands at £10 million, Public Liability at £12 million and Fidelity Guarantee at £500,000, together with a raft of insured items such as street furniture and other equipment: consequently, we consider that appropriate cover is in place; and
- Note that inspections of the Council Play Areas are conducted frequently by an external contractor.

Conclusions

We are pleased to record that no issues arise in this area. The Council has arrangements for managing risks.

Budgetary Control & 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 Borough Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure.

We note that members continue to be provided with detailed financial information regularly during the year to facilitate budget monitoring.

The Council formally approved its 2023/24 budget and precept at its meeting in January 2023, following initial consideration by the Finance Committee. A detailed report was provided to members to support their decision which showed the 2022/23 budget and projections to the year end and 2023/24 proposals for income and expenditure at service level. Comparison was made also to neighbouring authority precepts.

We reviewed expenditure for the full year at our final visit comparing to trends over previous years noting the variation in other income arising from increased cemetery fees and interest earned.

We considered the Council's level of balances and reserves at 31st March 2023. They totalled £309,214 including a general fund of £88,402 and earmarked reserves of £220,812. Total spending in the year was £214,591, therefore the general balance represents some five months spending which is within the normal expected range for a parish council.

Conclusions

The Council has arrangements for managing its budget.

Review of Income

The Council's principal sources of income, other than the Precept, arise from cemetery activity, allotment rents and tennis court hire fees, bank interest and occasional car parking and open space hire fees, together with quarterly VAT recoveries. Our objective is to ensure that robust procedures are in place to ensure that all income due to the Council is identified and invoiced (where applicable) appropriately with recovery effected within a reasonable time span. During our two visits we:

- Agreed the precept received into the Council's bank account to the amount set and approved per the Council's minutes and to the amount published by the Government in their list of 2022/23 parish council precepts;
- Selected a sample of two burials confirming a certificate of cremation or burial was held on file and agreeing the fee charged to the schedule of published rates and ensuring the income was recorded in SAGE for recovery;
- Reviewed the income arising on allotments for consistency with the detailed records, sample testing four tenancies to the agreement and checking the calculation of fees to the published rate by reference to the plot size. We noted one agreement on file related to the prior year, the Clerk subsequently provided the current one; and
- Reviewed the aged debtors report in SAGE at each of our visits.

Conclusions

The Council has arrangements for collecting income. There are no matters arising requiring formal recommendations.

Petty Cash Account

The Council does not operate a petty cash account: any "out-of-pocket" expenses incurred by officers or members are reimbursed through the normal suppliers' payments procedures.

Review of Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation and payment over of income tax and NI contributions, together with LGPS deductions and contributions. To meet that objective, we have examined the December 2022 payroll documentation as a sample, specifically we:

- Checked pay points per the payslips for two staff to their signed contracts for consistency;

- Confirmed signed expense forms were retained on file;
- Checked the calculation of tax and national insurance. We noted the employee's national insurance payment to the HMRC was correct, but that the national insurance contribution was deducted from the salary of the wrong officer;
- Tested the calculation of pension contributions by reference to the national scale of employee's contributions and the rate set for Bray PC on the Berkshire Pension Fund website; and
- Reviewed month on month salary costs for material consistency ie no unusual anomalies.

Conclusions

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

Fixed Asset Register

The AGAR requires disclosure of the value of assets retained by the Council as at 31st March annually. The Practitioner's Guide also requires councils to develop and maintain a register of all assets.

We note the Council has an asset register identifying individual assets and the purchase cost for disclosure in the AGAR. We reviewed the disposals in the year and note there were no material additions.

Conclusions

We are pleased to record that no issues arise in this area this year.

Investments and Loans

Our objectives here are to ensure that the Council is investing "surplus funds", be they held temporarily or on a longer term basis, in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made, that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

As noted earlier in this report in the section on bank reconciliations, we have checked and agreed the year end balances on the Council's investment accounts, (CCLA, Nationwide and Unity) and tested the receipt of interest.

We note the Council has an approved investment policy in place.

The Council has no loans repayable either by or to it at present.

Conclusions

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

Statement of Accounts / AGAR

We have agreed the SAGE income and expenditure account to the draft AGAR and reviewed debtors and creditors. We agreed also the key figures in the AGAR as previously reported.

Conclusions

No issues arise in this area warranting formal comment or recommendation: based on the overall satisfactory status of the Council's operative controls, we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.