

Public Sector Audit

Wrawby Parish Council

Internal Audit Report for the year ended 31 March 2023

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Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils to “undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2023. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

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Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted: Page | 3

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

Distribution List

Chairman of the Council

All Members of the Council

Clerk to the Council

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The findings of the audit are summarised below

	Test	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p>Findings</p> <p>The council's accounts are maintained on spreadsheets which record receipts and payments during the year.</p> <p>They are sufficiently analysed to provide all the information required for the completion of the Annual Governance and Accountability Return (AGAR).</p> <p>The cash book is balanced as at the 31st March 2023 and monthly and a year-end bank reconciliation confirm that the cash book and bank balances are in agreement.</p> <p>Since last year more work has now been done in relation to the council's accounting records and the treatment of VAT for WPFA Trust expenditure. The issue has now been clarified by ERNLLCA:</p> <p><i>"Unless further evidence is provided, I think that the appropriate power is Local Government (Miscellaneous Provisions) Act 1976 Section 19 and not Section 137".</i></p> <p><i>(1) A local authority may provide, inside or outside its area, such recreational facilities as it thinks fit and, without prejudice to the generality of the powers conferred by the preceding provisions of this subsection, those powers include in particular powers to provide—</i></p> <p><i>(b) outdoor facilities consisting of pitches for team games, athletics grounds, swimming pools, tennis courts, cycle tracks, golf courses, bowling greens, riding schools, camp sites and facilities for gliding.</i></p> <p><i>(d) premises for the use of clubs or societies having athletic, social or recreational objects.</i></p> <p><i>(f) such facilities in connection with any other recreational facilities as the authority considers it appropriate to provide including, without prejudice to the generality of the preceding provisions of this paragraph, facilities by way of parking spaces and places at which food, drink and tobacco may be bought from the authority or another person; and it is hereby declared that the powers conferred by this subsection to provide facilities include powers to provide buildings, equipment, supplies and assistance of any kind.</i></p>

		<p><i>(3) A local authority may contribute—</i> <i>(a) by way of grant or loan towards the expenses incurred or to be incurred by any voluntary organisation in providing any recreational facilities which the authority has power to provide by virtue of subsection (1) of this section; and in this subsection “voluntary organisation” means any person carrying on or proposing to carry on an undertaking otherwise than for profit.</i></p> <p>NALC has also provided Legal Topic Note on the subject, LTN32, which confirms: <i>"A council may purchase goods and services and donate them to a voluntary body, but without receiving any reimbursement. The donation is a non-business activity, and is therefore eligible for a refund of VAT."</i></p> <p>As a result of the advice received, the council will be able to record future WPFA grass-cutting costs as part of its normal expenditure and recover the VAT element of such expenditure.</p>
2	<p>Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?</p>	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p>Findings</p> <p>The council approved its Standing Orders at the council meeting held on the 27th March 2023. The Standing Orders are the latest NALC Model and have been updated to reflect the latest procurement thresholds in accordance with the Public Contract Regulations 2015.</p> <p>Financial Regulations were reviewed and approved at the council meeting held on the 23rd May 2022 and they are also the latest NALC Model. In December 2022 the Government increased the £25,000 threshold for the Contracts Finder website to £30,000. NALC has not, however, updated its Model to reflect this change.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● For clarity and transparency purposes, the council should update its Financial Regulations to reflect the increased threshold for the Public Contracts website.

3	<p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p>Findings</p> <p>I have tested all payments to ensure that they are fully approved and authorised, the payments appear in the cash book, and they have been reported to council. I have also reviewed for completeness, accuracy, correct year of account, classification in the council's accounts, compliance with Financial Regulations and the correct treatment of VAT. Quotations were correctly sought for the speed signs. All payments made during the year have been correctly recorded and reported to council with the following exception:</p> <ul style="list-style-type: none"> • A payment in March 2022 of £46.00 to HMRC has been reported to council as £45.80. The payment should have been £45.80 but £46.00 was paid in error. The figure actually paid, however, should always be reported to the council for authorisation purposes. <p>Min ref 12. c of the Annual Meeting on the 23rd May 2022 recorded:</p> <ul style="list-style-type: none"> • <i>"It was resolved that the play equipment ownership would be passed to Wrawby PC from Wrawby PFA so that Wrawby PC would be responsible for the maintenance, safety inspections and insurance. Wrawby PC would continue to pay for the grass cutting as it is a community asset but would not pay for the pitch markings."</i> <p>All council payments were paid by cheque from the 1st April to the 1st June 2022. The two-signature rule has been observed and evidenced by the cheque signatories initialling the cheque stubs to indicate agreement with the cheque and invoice/voucher seen at the time of signing. Since the 1st June 2022, all council payments have been paid using the BACS system. All invoices are signed as authorised by two council members and all payments are reported to council for approval.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The payments reported to council for review and authorisation should reflect the actual payments made. If an error occurs, this should subsequently be report to council for authorisation and transparency purposes.
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4	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p>	<p><u>Assessment of significant risks</u></p> <p>Findings</p> <p>The council's General Risk Assessment, which now includes the play equipment, was approved on the 27th March 2023.</p> <p>The council's Health and Safety Policy was reviewed and approved at the meeting held on the 30th January 2023.</p> <p>The Clerk has confirmed that both PAT testing and the annual fire risk assessment has been undertaken at the Village Hall during the year.</p> <p>The council contracted with a RoSPA approved company to inspect Playing Field during the year. The council's Risk Assessment identifies that the Village Hall and playing field are also inspected regularly and a record of the inspections is kept. No evidence of the regular inspection was submitted to audit for review and verification however. The Clerk has confirmed that the play equipment was regularly inspected by a Village Hall Committee volunteer during the year. For 2022/23 regular inspections will be undertaken and recorded by councillors and council staff.</p> <p>I have reviewed the council's insurance policy and the indemnity limits are adequate.</p> <p>The Clerk has previously confirmed that all electronic data is backed up approximately weekly onto a memory stick which is kept in a filing cabinet in a secure location. The council's computer and memory stick are both password protected.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The PAT testing certificate and annual fire risk assessment should be forwarded to audit each year for review and verification and to facilitate the completion of the Internal Audit Certificate on the AGAR. ● The council should ensure that inspections of the Village Hall, play equipment and other assets for which it is responsible are carried out regularly throughout the year, recorded and timely action taken to remedy any
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		defects identified. The inspection documentation should be submitted to audit for review and verification purposes.
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</p>	<p><u>Adequate budgetary process</u></p> <p>Findings</p> <p>A detailed budget, which identified all income and expenditure, was prepared for 2022/23 and was approved by council on 12th January 2022. A Precept of £12,210.27 was agreed.</p> <p>Three interim budget monitoring reports were presented to council during the year. They compare income and expenditure to the original budget and provide explanations for the variances.</p> <p>The council's balances at the 31st March 2023 totalled £610. This is considered to be exceptionally low for a council the size of Wrawby Parish Council. The council is aware of this; they were was due to high expenditure during 2021/22, and it was resolved on the 28th November 2022, to increase the 2023/24 Precept to £15,774 to increase reserves in accordance with Government guidance.</p>
6	<p>Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked?</p> <p>Were security controls over cash and cash equivalents effective?</p>	<p><u>Adequate income controls</u></p> <p>Findings</p> <p>Apart from the Annual Precept the council also received three VAT refunds in respect of 2021/22 and 2022/23 (up to the 28th February 2023) and a small amount of bank interest.</p> <p>Documentary evidence in respect of all income received has been agreed to the cash book. It is noted the council reduced the claim for the period ending 30/09/22 to correct the over claimed VAT during 2021/22 in respect of WPFA payments.</p>
7	<p>Were petty cash payments appropriate and supported by receipts?</p>	<p><u>Appropriate petty cash controls</u></p> <p>Findings</p> <p>The council does not maintain a petty cash system.</p>

	<p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</p>	<p>Any items purchased by Council Members or the Clerk have been reimbursed via the council's payments system.</p>
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p> <p>Has PAYE and NI been correctly deducted and paid to HMRC?</p>	<p><u>Adequate payroll controls</u></p> <p>Findings The council's Clerk received a contract of employment which contains clear terms and conditions.</p> <p>I have agreed all gross pay paid to the Clerk to the contract of employment and the 2022/23 NJC pay award. It is noted, however, that net pay in respect of March 2023 was underpaid by 20p per the cash book and bank statements.</p> <p>The Clerk is subject to PAYE and NI regulations and statutory deductions have been correctly paid to HMRC with the exception of March 2023. The PAYE due to HMRC in respect of March 2023 was overpaid by 20p per the cash book and the bank statements.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The underpayment of net pay to the Clerk for March 2023 should be corrected during 2023/24. ● The overpayment of PAYE to HMRC for March 2023 should be corrected during 2023/24.
9	<p>Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?</p>	<p><u>Appropriate recording of assets</u></p> <p>Findings The council maintains a formal Asset Register in the recommended format.</p> <p>New purchases during the year have been added to the register at the correct valuation excluding VAT. The revised total of assets held on the 31st March 2023 is £260,063.77.</p>

10	<p>Were bank reconciliations performed on a regular and timely basis?</p> <p>Has a year-end reconciliation been performed and balanced?</p> <p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p><u>Adequate bank reconciliations</u></p> <p>Findings</p> <p>Five interim bank reconciliations were prepared throughout the year and presented to each council meeting for review and approval.</p> <p>In accordance with best practice and as a key element of sound financial control, the Chairman, when authorising the monthly bank reconciliations, also signs against the respective month-end bank balances on the bank statements to indicate that he has checked that both are in agreement.</p> <p>The reconciliations contained no unusual or balancing figures.</p> <p>The year-end reconciliation has been separately documented for External Audit purposes. I have agreed the reconciliation to the cash book, bank statements and the AGAR.</p>
11	<p>Were Accounting statements prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate, were debtors and creditors properly recorded?</p> <p>Has the previous Internal Audit Report been submitted to council and actioned as necessary?</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p>Findings</p> <p>The year-end statements have been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p> <p>The statements agree with the cash book and there is an underlying audit trail from the cash book to the year-end statements.</p> <p>The total value of assets shown on the Asset Register agrees to the declaration in box 9, Fixed Assets, on the year-end Accounting Statement.</p> <p>The 2022/23 Internal Audit Report was presented to council on the 23rd May 2022 and received and approved.</p>

12	If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?	<p><u>Exemption Certificate</u></p> <p>Findings Section 2, Accounting Statements, of the Annual Governance and Accounting Return Part 2, identified that the council's gross income for last year or gross annual expenditure for the year did not exceed £25,000. The council, therefore, following its formal confirmation that the exemption criteria had been met, correctly certified itself as exempt.</p>
13	Did the council publish information on a website/webpage, up to date at the time of the internal audit, in accordance with the Transparency code for smaller authorities?	<p><u>Transparency Code</u></p> <p>Findings I have reviewed the Council's website and confirmed that all required information has been published in respect of 2021/22 in accordance with the Transparency Code.</p>
14	Did the council correctly provide, during the summer, the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations 2015?	<p><u>Exercise of Public Rights</u></p> <p>Findings I have confirmed by a review of the council's website that, during the summer of 2022, the council correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the 2015 Accounts and Audit Regulations.</p>
15	Did the council comply with the publication requirements for the previous year's AGAR?	<p><u>Publication Requirements</u></p> <p>Findings I have reviewed the council's new website and confirmed that the council published the correct documents as required by the Accounts and Audit Regulations 2015.</p>
16	Has the council met its responsibilities as a Trustee?	<p><u>Trustee responsibilities</u></p> <p>Findings I have seen no evidence that the council has responsibility for Trust Funds and the Clerk has confirmed this to be the case.</p>

Executive Summary

The accounts and governance arrangements of the council have been maintained to a high standard and the assistance of the Clerk of the council in the completion of this audit was much appreciated.

The internal financial control environment within the council is excellent and the consideration and adoption of the above recommendations and advisory note will serve to further enhance and strengthen the systems, procedures and governance arrangements already in place.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2022.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

Public Sector Audit

19th April 2023

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