

Old Windsor Parish Council

Internal Audit Report 2022-23 (Final)

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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 (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, during our two visits to the Council, which took place on 25th October 2022 and 26th April 2023.

Internal Audit Approach

In commencing our review for 2022-23 and in accordance with the requirements of the IA Certificate in the AGAR and the latest 2022-23 edition of the Governance and Accountability Manual, we have again paid due regard to the materiality of transactions and their susceptibility to potential misrepresentation in the Accounts / AGAR, together with examining the overall governance framework. Our aim is to ensure that the Council continues to operate robust control systems and that transactions are, as far as we are able to ascertain, processed in accordance with national and locally approved legislation and controls.

Overall Conclusion

We are pleased to record that the Council continues to maintain adequate and effective internal control arrangements with only one or two non-material issues identified this year, detail of which is set out in the body of the report with resultant recommendations summarised in the appended Action Plan. We are also again pleased to acknowledge the quality of records maintained by the Clerk with the assistance of the Lead Member for Finance (LMF).

We have duly completed and signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

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 Council uses the Omega software to process the Council's financial transactions operating two bank accounts with the Unity Bank (Current and Deposit) .

Our objectives in this area are to ensure that the accounting records are being maintained accurately and in a timely manner with detail reconciled routinely to the bank accounts in use. We have consequently -

- Verified that the closing balances, as reported in the 2021-22 Statement of Accounts and certified AGAR, have been “rolled-forward” correctly as opening balances for 2022-23;
- Ensured that the financial ledger remains in balance at the financial year-end;
- Examined the coding schedule, which we consider remains appropriate for the Council's requirements;
- Verified transactions on the current account for five months during the year (April, June, September, December 2022, plus March 2023);
- Verified transactions on the Reserve account for the full financial year;
- Verified detail of the month-end bank reconciliations on the current account as of 30th June, 30th September 2022, plus 31st March 2023;
- Reviewed the procedures in place for preparing and authorising journals, together with the controls in place over the review of bank reconciliations; and
- Ensured the accurate disclosure of the combined year-end balances in the AGAR at Section 2, Box 8.

Conclusions

We are pleased to report that no issues of concern have been identified from work completed in this area this year.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework 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 also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We note that the Standing Orders, based on the NALC Model document, were reviewed and formally adopted by the Council at the February 2023 meeting. We note that the NALC Model Financial Regulations (FRs) were last adopted at the December 2019 meeting of the Council.

We have reviewed the Council's minutes for the financial year checking to ensure that there are no significant issues arising that might give rise to ultra vires expenditure or other forms of potentially unlawful activity, also that the Council is continuing to manage its resources effectively and are

pleased to record that no indications exist of potential problems with the Council's ongoing financial viability.

We are also pleased to note that the external auditors have "signed-off" the 2021-22 AGAR Certificate without comment or recommendation.

Conclusions

No matters arise warranting formal comment or recommendation in this area this year: We however, note that, in line with best practice, the Financial Regulations should be subjected to periodic review and re-adoption.

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 approval by the relevant lead member 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;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have again reviewed the Council's approach to the approval and authorisation of the release of moneys to traders and staff and consider that they remain sound. We have now selected an extended sample of 60 payments processed in the year to check for compliance with the above criteria. Our test sample includes all those payments individually in excess of £1,000, plus every 25th as recorded in the cashbook and totals £106,619 and equates to 60% by value of non-pay related expenditure in the year to date.

We have also reviewed and verified the accuracy of the final 2020-21 and 2022-23 quarterly VAT reclaims submitted to HMRC noting that these have been repaid appropriately. The reclaims for October to December 2022 and January to March 2023 being received on 11th April 2023 and 18th April 2023 respectively.

Conclusions

We are pleased to record that no issues have arisen from our work in this area warranting formal comment or recommendation.

Assessment and Management of Risk

We have examined the current year's insurance schedule with cover again provided by Zurich noting that Employer's and Public Liability cover are in place at £10 million and £12 million respectively, together with Fidelity Guarantee cover at £250,000 and Hirer's Liability at £2 million all of which we consider appropriate for the Council's present needs.

We have reviewed the risk register, which is extensive in its coverage of both financial risk and physical assets. The risk register was adopted by the Parish Council at its meeting in November 2022.

Conclusions

No issues arise in this area currently: we shall continue to monitor the Council's approach to risk management at future visits.

Budgetary Control and Reserves

We aim in this review area to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the annual precept; that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

We are pleased to note that, following due deliberation, the Council formally adopted the 2023-24 budget and precept at the January 2023 meeting, setting the latter at £175,822.

We are pleased to note that members continue to receive quarterly budget monitoring reports through the year presented by the LMF and have examined the year-end outturn with no unanticipated or unexplained variances existing warranting further enquiry.

We have again considered the level of retained reserves at the financial year-end noting that they have increased marginally to £300,887 (£281,753 at 21st March '22), with EMRs now standing at £129,112 (£117,190 at prior year-end). The residual General Reserve balance of £152,641 (£164,263 as at 31st March 2022) equates to approximately 9 months expenditure at the 2022-23 level and is considered appropriate for the Council's ongoing revenue spending requirements.

Conclusions

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

Review of Income

The Council continues to receive income from a relatively small number of sources in addition to the precept including cemetery activities, sports and rifle club rentals, bank interest, allotment rents, sundry grants and donations and recovered VAT.

We have reviewed the procedures in place relating to the identification and recovery of fees in relation to interments at this interim visit selecting a sample of 6 occurring to 30th September 2022 ensuring that all appropriate legally required documentation was held (i.e., Burial and / or cremation certificates) and that appropriate fees have been charged and recovered.

We note that the Council continues to operate the Rialtas allotment software to manage the allocation of plots and recovery of rents: we examined the related data output ensuring that the appropriate rents were invoiced and recovered in the current financial year with none remaining unpaid at our next review. We also note that all tenants have now paid a refundable deposit detail of which is appropriately recorded in the Omega accounts as a liability.

We have also examined the detailed income transaction reports for the financial year to date to ensure that, as far as we can reasonably establish, income due has been received and banked appropriately.

Conclusions

We are again pleased to record that no issues have arisen in this area to date warranting formal comment or recommendation.

Petty Cash Account & Use of Debit / Credit Cards

The Council does not operate a petty cash account as such: however, a Unity Trust Bank Debit Mastercard is in place with a £500 limit, which is used to meet any ad hoc purchases and achieve savings by purchasing through the internet where appropriate: the account is settled monthly as and when any expenditure occurs.

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 relating to the deduction and payment over of income tax and NI contributions.

We note that preparation of the payroll continues to be outsourced to an external provider, also noting that the Clerk, and two Village Wardens' salaries are paid in accordance with national NJC scales applying since 1st April 2022. Agreement to increase the hours of the Community Social Worker was given at the September Council meeting, and the February salary was checked.

Consequently, we have: -

- Ensured that the gross salaries applied in 2022-23 to the Clerk, Community Social Worker and two Village Wardens are paid at the approved rates and, where applicable, approved working hours by reference to payslips;
- Checked and agreed detail of the computations of tax and national insurance deductions for the same month;
- Verified the resultant net salary payments made to the staff; and
- Ensured the appropriate payment of tax and NI contributions to HMRC for the year to date.

Conclusions

We are pleased to record that no issues have been identified in this area of our review process.

Asset Registers / Inventories

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We are pleased to note compliance with this requirement. We have examined the Council's register noting the additional purchase of Christmas Lights and Office equipment. As last year, we note that the dates when assets were acquired is not recorded in the register and, whilst appreciating that the detail may not be available for several older acquisitions, we urge that where the information is known or can be reasonably easily acquired, it be recorded accordingly. We also suggest that, when assets are disposed of the register value for those assets is adjusted to NIL with the disposal date recorded.

We have also made previous reference to the potential benefits of developing a photographic register of potentially at risk assets (street furniture, office equipment, etc), which a number of our clients have found of assistance when pursuing either an insurance claim or in assisting any police enquiry where theft or wilful / accidental damage has occurred.

Conclusions and recommendations

No issues of concern arise in this area of our review process, although, as indicated above we suggest that the asset register should be expanded to record the dates when assets were acquired and disposed of.

Investments and Loans

The Council has no long-term investments, surplus funds being held currently in the Unity Bank Deposit account, which is now paying interest again following the period during Covid when no interest was paid.

The Council Investment Strategy has been reviewed, with the recommendation that an account with CCLA be opened. We note that occurred following the close of the financial year and that £80,000 has been transferred to the account.

The Council currently has two outstanding PWLB loans repaid at half-yearly intervals. We have, as part of our above payment review / testing, verified detail of the first half-yearly loan repayment for the current year by reference to the PWLB third-party demands and have now, at this final visit, confirmed the outstanding loan liability to be reported in the AGAR at Section 2, Box 9 by reference to the UK Debt Agency website, where detail of all local council outstanding loans are recorded..

Conclusions

We are pleased to record that no issues have been identified in this area of our review process.

Statement of Accounts and AGAR

The Clerk and LMF have, as in previous years, with assistance from the external contractors (RBS Software), prepared the necessary Annual Accounts and statutory AGAR detail from the Omega accounting system: we have checked and agreed the detail therein to the underlying data in the software and other supporting documentation. We have confirmed that the Outreach Workers net salary has been correctly linked to staff costs reported in the AGAR at Box 4

We have also again considered the appropriateness of the procedures in place for identifying year-end debtors and creditors again with no issues arising.

Conclusions

We are pleased to record that no matters have arisen in this review area warranting formal recommendation.

Based on the work undertaken during the year and overall satisfactory results of that work, we have duly signed off the IA Certificate in the AGAR assigning positive assurances in each relevant area.

We also remind the Clerk that the Council must ensure compliance with the disclosure requirements and timing for publication of all required documentation on the Council's website as set out in the preface to the AGAR.