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## **Old Windsor Parish Council**

*Internal Audit Report 2022-23 (Interim)*

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*Susan Cook*

*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 interim visit to the Council, which took place on 25<sup>th</sup> October 2022: it will be updated following our final visit, the date of which has yet to be agreed but will be timed to follow closure of the year's Accounts and once the AGAR is ready for sign-off.

## **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 no issues identified at this stage of the year's review warranting formal comment or recommendation. 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).

# 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 as of 30<sup>th</sup> September 2022;
- Examined the coding schedule, which we consider remains appropriate for the Council's requirements;
- Verified transactions on the current account for the period (April to September 2022);
- Noted that no transactions have occurred on the Reserve account for the financial year to date;
- Verified detail of the month-end bank reconciliations on the current account as of 30<sup>th</sup> June and 30<sup>th</sup> September 2021; and
- Reviewed the procedures in place for preparing and authorising journals, together with the controls in place over the review of bank reconciliations.

### Conclusions

*We are pleased to report that no issues of concern have been identified from work completed in this area to date, noting that a non-signatory member has been appointed to and is undertaking a regular review of bank reconciliations.*

*We shall extend our examination of accounting transactions at the final review, also ensuring the accurate disclosure of the combined year-end balances in the AGAR at Section 2, Box 8.*

## 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 noted previously that SOs, based on the NALC Model document, were reviewed and formally adopted by the Council. We also note that the NALC Model Financial Regulations (FRs) were adopted at the December 2019 meeting of the Council.

We have commenced our review of the Council's minutes for the financial year reading those for meetings held to September 2022 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 currently: we shall extend our review of minutes at our final review also continuing to assess the Council's approach to governance. We however, note that our suggestion that, in line with best practice, both SOs and FRs should be subjected to periodic review and re-adoption, the review of these documents have not yet taken place, but understand this will happen in the next few months.*

## **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 selected an initial sample of 27 payments processed to 30<sup>th</sup> September 2022 to check for compliance with the above criteria. Our test sample includes all those payments individually in excess of £1,000, plus every 25<sup>th</sup> as recorded in the cashbook and totals £55,580 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 the June and September 2022-23 quarterly VAT reclaims submitted to HMRC noting that these have been repaid appropriately.

### **Conclusions**

*We are pleased to record that no issues have arisen from our work in this area warranting formal comment or recommendation at this stage: we shall extend our test sample for review at the final visit, together with examination of further quarterly VAT reclaims covering the remainder of the financial year.*

## 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.

No review of the risk register was undertaken at this review, we will monitor the Council's approach to risk at our next review.

### 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.

This visit occurred in advance of the Council's deliberations on the 2023-24 budget and precept requirement: consequently, we will check the outcome of those deliberations at our final visit ensuring that both are formally approved and adopted.

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 position as of 30<sup>th</sup> September 2022 with no unanticipated or unexplained variances existing warranting further enquiry.

### Conclusions

*We are again pleased to record that no issues arise in this area currently: we will undertake further work at our final visit, ensuring that the Council has formally considered and adopted the 2023-24 budget and precept, reviewing the year-end budget outturn and assessing the appropriateness of the retained reserves to meet the Council's ongoing revenue spending requirements and any future development aspirations.*

## 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 10 occurring to 30<sup>th</sup> 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 will examine the related data output ensuring that the

appropriate rents have been 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. We will undertake further work in this area at our final review visit.*

## **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 again 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 1<sup>st</sup> April 2021 (no agreement has been reached on a 2022-23 pay settlement). Agreement to increase the hours of the Community Social Worker was given at the September Council meeting, but as payment of this increase has not yet taken place, this will be checked at our next review.

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 the September 2022 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 three staff for September 2022; 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.*

## **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 is due to be reviewed, with consideration to be given to the opening of an account with CCLA.

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 demand.

### ***Conclusions***

***We will review the new Invest Strategy at our next visit and undertake further work in this area at our final visit, ensuring the accurate repayment of the second half-yearly loan repayment and verifying the accurate disclosure of the residual loan liability as of 31<sup>st</sup> March 2022.***