



Burghfield Parish Council

Internal Audit Report: 2022-23

Prepared by Susan Cook

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***For and on behalf of
Auditing Solutions Ltd***

Background and Scope

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system 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 during our reviews on 28th November 2022 and 11th May 2023, together with our preparatory work off-site, in relation to the 2022-23 financial year. We wish to thank the Clerk for providing the information to enable us to complete our work.

Internal Audit Approach

In undertaking our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential miss recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford appropriate assurance that the Council has 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' which is part of the Council's AGAR and requires independent assurance on eleven internal control objectives.

Overall Conclusion

Based on our work completed to date, the Council operates reasonably effective systems to ensure that transactions are free from material misstatement and will be reported accurately in the Statement of Accounts/AGAR for the financial year.

The following report provides detail of our objectives in each area embodied in the IA Certificate, the work undertaken and any issues arising that require action by the Council. Any such issues are further summarised as recommendations in the appended Action Plan.

Based on the overall satisfactory conclusions drawn from our review for the year we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

We wish to thank the Clerk for the courtesy and attention afforded during our reviews and we ask that our report is presented to Members.

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Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

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. The Council uses the Rialtas Omega accounting system maintaining three cash books, specifically the current account (cash book one), Village Hall account (cash book two) and the payroll account (cash book three). We have:

- Noted the External Auditor required the AGAR to be resubmitted as it had not been accurately completed;
- Reviewed the opening trial balance detail for 2022-23 comparing it to the closing balances in the 2021-22 Statement of Accounts / AGAR to ensure that all balances have been brought forward correctly;
- Ensured that the cost centre and income & expenditure ledger coding structure remains appropriate for purpose;
- Ran a data check on the Rialtas ledger to confirm it is in overall balance at the time of our review;
- For cash book one, Unity Trust Current Account, we agreed the reconciliation at 30th April, 30th June, 30th September, 31st December 2022 and 31st March 2023 and tested the transactions agreeing them between the cash book and the bank statement; and
- For cash book two we agreed the reconciliations at 30th April, 30th September, 31st December 2022 and 31st March 2023 and agreed the transactions between the cash books and bank statements.
- For cash book three we agreed the reconciliation at 30th April 2022 and 31st March 2023 and agreed the transactions between the cashbook and bank statements.

Conclusions

Care must be taken in the completion of the AGAR, to ensure the information provided accurately matches that of the year-end accounts.

Whilst the Council is completing regular reconciliations of the bank accounts and approval is given at council meetings, we note that bank reconciliations are not being signed off in accordance with the councils Financial Regulations, para (2.2 refers). On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman [or a cheque signatory] shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification.

R1. To comply with the councils' financial regulations, the bank statements should be signed off on a regular basis, by a member to verify the bank reconciliation and original bank statements.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust series of corporate governance documentation in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have:

- Completed our review of the minutes of the Full Council and its Standing Committees (except the Infrastructure's Committee which relates to planning) to identify whether or not any issues exist that may have an adverse effect on the Council's future financial stability, either in the short, medium or longer term;
- Noted that the financial regulations were last adopted in May 2021 and the Standing Orders in February 2022;
- Noted the Council adopted the General Power of competence at its meeting in May 2022;
- Noted that payments over £500 are posted on the website; and
- Confirmed the Council advertised the audit of the prior year (2021/22) accounts by placing the notice of public rights on its website.

Conclusions

No issues have been identified in this area to warrant formal recommendations.

Review of Expenditure

Our aim here is to ensure that:

- Council resources are released in accordance with the Council's approved procedures and 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;
- 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.

In order to gain assurance, we have examined a sample of payments, including all those individually in excess of £1,500, together with a more random sample of every 20th cashbook transaction (irrespective of value), for the year to 31st March 2023. Our test sample comprised 66 items in all, totalling £193,526 and representing 38% of all non-pay costs for the year to 31st March 2023.

A payment receipt for the franking machine recorded an amount of £1,300, rather than the £1,500 that had been paid, we understand that no invoices are provided and that a £200 buffer is kept on the franking machine.

We confirmed that the VAT due for reclaim at 31st March 2022 had been recovered from the HMRC. We reviewed the 2022/23 VAT returns agreeing them to the control record and confirming funds for the first two quarters reclaimed had been recovered from HMRC, the remaining claims have been completed and are due from HMRC.

Conclusions

Apart from the issue raised above payments are supported by invoices confirming the amounts incurred, no issues have been identified in this area to warrant formal recommendations.

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 have:

- Reviewed the current year's insurance policy provided by Zurich noting that cover includes:
 - Buildings insurance
 - Business interruption loss of revenue cover of £25,000
 - Public liability cover of £12m
 - Hirer's liability cover of £2m
 - Employer's liability cover of £10m
 - Fidelity guarantee cover of £1m
- Noted the Governance and Finance Committee received the 2022/23 risk assessment in May 2022; and
- Noted receipt of the Annual play area inspection report in April 2022.

Conclusions

The Council continues to monitor its 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 level of precept to be drawn down from the District 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 that might arise.

We are pleased to note that the Finance and Governance Committee regularly receive budget comparison reports.

After initial consideration by the Committees, Full Council approved the 2023-24 budget and precept of £281,470 at the meeting held on 5th January 2023. In making the decision Members took account of balances and earmarked reserves and were provided with a detailed analysis of income and expenditure showing current year, coming year and the following 2 years. Reports provided included explanatory notes and took account of the tax base.

We have reviewed the full year income and expenditure making comparison to the set budget with no issues arising.

The general reserve was £225,986 at 31st March 2023, with earmarked reserves of £239,844. The general reserve represents 6 months spending and is within the normal range for parish councils of 3 to 8 months.

Conclusion

No issues have been identified in this area to warrant formal recommendations.

Review of Income

In addition to the precept, the Council collects income from its Village Hall lettings, allotment rentals and burials and receives bank interest and sundry grants and donations. We have reviewed the latest budget information on Rialtas and identified the following areas to test, specifically we:

- Confirmed from our reading of the minutes that the Council continues to keep fees and charges under review;
- Agreed the precept income recorded in Rialtas for 2022/23 to the amount set and recorded in the minutes;
- Reviewed the income recorded in Rialtas from allotment rentals and agreed it to the income recorded in total in the detailed allotments register. The system in place is for one officer to send out the rent demands and administer the rental agreements, the Clerk notes each week the actual cash collected per the bank and notifies the admin officer who enters the detail in the allotment register against the debt raised to the tenant;
- We tested five interments recorded in the burial register confirming a certificate for burial was held, the fee charged was consistent with the schedule of rates and was recorded in the Rialtas system;
- Tested three samples of Village Hall bookings from the letting diary confirming invoices were raised; and

- Reviewed the unpaid balances report on the sales ledger at our final review visit noting the balance stood at £1,252. Of this £15 was more than three months old.

In addition, as noted previously, we checked five month's income from the bank statements to the cash books and agreed the recovery of VAT.

Conclusions

No issues have been identified in this area to warrant formal recommendations.

Petty Cash Account

The Council does not operate a petty cash account, any out-of-pocket expenses incurred by the Clerk, or her staff, being reimbursed as required and approved and supported by transfers in the same manner as all other supplier payments.

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 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 NI contributions, together with meeting the requirements of the local government pension scheme.

The Council uses the HMRC payroll tools software to process its payroll. We understand that payments are raised online by the Clerk via the Unity Trust banking system. The transaction list is provided to Members of the Staffing Committee for approval. Two members then go online and authorise the payments with a copy of the transaction list being provided. To meet our audit objectives, we have:

- Obtained the payslips for April and September 2022, as a sample and tested the calculation of tax, national insurance contributions and pension deductions;
- Agreed the totals on the pay-slips to the amounts paid to staff, HMRC and the Local Government Pension Scheme for the two months as recorded in Rialtas; and
- Commenced a monthly trend analysis of payroll costs to ensure there are no material anomalies.

Conclusions

No issues have been identified to warrant formal comment or recommendation in this area.

Asset Register

The "Governance and Accountability Manual – The Practitioner's Guide", requires all councils to maintain a detailed register of their assets. We aim in examining this aspect of the

Council's documentation to ensure that the Council has complied with that legislation; that an appropriate and comprehensive register is being maintained and that it is subject to periodic review and update.

The Council has an asset register which includes photographic detail by category eg Village Hall contents, equipment, land and buildings etc. The asset register should ideally include the dates of purchase and location of the asset, to aid the adjustment for future disposals.

Conclusion and recommendation

The Council has an asset register. It needs some minor up-dating.

R2 The Council should review and up-date its asset register ensuring the basis of valuation accords with the accounting guidance, normally cost net of VAT, and where possible assets are sufficiently analysed to record and adjust for future disposals.

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 accounts; that an appropriate investment policy is in place, where required; 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 appropriate loan agreements.

We are pleased to note the existence of an appropriate Investment Strategy, as now required for all councils with funds held in excess of £100,000. Short term investments are now held with a variety of banking institutions. The Investment Strategy should be subjected to periodic review, update, and formal re-adoption.

We note that the Council received the PWLB loan approved by the UK Debt Agency in 2021-22 and we have verified detail of the half-yearly loan repayments as part of our expenditure testing by reference to their third-party demands, also ensuring the accurate recording of the residual loan liability in the year's AGAR by reference to the UK Debt Agency website where all such local government loans are recorded.

Conclusions

No issues have been identified to warrant formal comment or recommendation in this area.

Statement of Accounts and AGAR

The Accounts and Audit Regulations require all Councils to prepare summary accounts which are reported in the AGAR. Burghfield also engages contract accountants to prepare a detailed Statement of Accounts identifying aspects of the Council's financial affairs.

We have reviewed the accounts and the AGAR test checking them to the detailed accounting system (Rialtas Ledger). Specifically, we agreed the Rialtas trial balance at the year end to

the accounts and ensured cash and investments, income and expenditure was consistent. As previously noted, we checked the accounts to the fixed asset register.

Conclusions

There are no matters arising from this area of our work requiring formal comment or recommendation.

We have duly signed off the Internal Audit section of the AGAR.

We also take this opportunity to remind the Clerk 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.

Appendix1: Recommendations

Rec. No.	Recommendations	Response
Maintenance of Accounting Records & Bank Reconciliations		
R1	To comply with the councils' financial regulations, the bank statements should be signed off on a regular basis, by a member to verify the bank reconciliation and original bank statements.	
Asset Register		
R2	The Council should review and up-date its asset register ensuring the basis of valuation accords with the accounting guidance, normally cost net of VAT, and where possible assets are sufficiently analysed to record and adjust for future disposals.	