

Lyneham & Bradenstoke Parish Council

Internal Audit Report 2022-23

Chris Hall

*Consultant
Auditing Solutions Ltd*

Background and Scope

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. We have undertaken our review based on electronic information made available to us, and information freely available on the Council's website. We thank the Clerk for her assistance in the process, providing all necessary documentation to facilitate completion of our review for the year and sign off of the IA Certificate in the year's AGAR.

Internal Audit Approach

In undertaking our review, we have again had regard to the materiality of transactions and their susceptibility to potential mis-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 appropriate and 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 'IA Certificate' in the year's AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

While we have made some observations in this report about improving the level of internal control by Councillors, most notably with regard to payment approvals and bank reconciliations, we are able to offer the Council a reasonable assurance on their governance and financial procedures during the year under review. While we have not made any formal recommendations, we would invite the Council to give careful consideration to the comments contained in this report.

We have noted one area (the absence of a risk review during the year) where the Council needs to give a negative assurance in its 2022-23 AGAR (Section 1, Assertion 5). As we noted the same failing in our 2021-22 report, this issue now needs to be seriously addressed by the Council. We have also been unable to provide an assurance on the Council's asset valuation.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk maintains the accounting records using the Rialtas Alpha accounting software, which remains appropriate for the Council's needs. Two bank accounts are in operation with Unity Trust (Current and Deposit).

We aim in this review area to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear therein. Consequently, and in view of their relatively low volume, we have: -

- Agreed the opening balances recorded in the Alpha accounts for 2022-23 with those in the 2021-22 certified AGAR;
- Ensured that the accounts remain "in balance" at the financial year-end;
- Test-checked transactions recorded on all accounts for the full financial year by reference to the underlying bank statements;
- Ensured the accurate disclosure of the combined bank balances in the year's AGAR at Section 2, Box 8.

While we note that bank reconciliations are reported at each Council meeting, we can see no evidence that the Alpha reports and associated bank statements are formally signed off by Council, which should be seen as best internal control practice. We would also observe that Financial Regulation (FR) 2.2 requires an independent Councillor to undertake a quarterly check on bank reconciliations, which should be reported to and minuted by Council.

Conclusions

No matters arise in this area warranting further comment or recommendation, other than our observations about proper certification of bank reconciliations, and the absence of an FR2.2 independent check.

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 are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

We note that the Council's Standing Orders and Financial Regulations were reviewed by Council in May 2022, are available on the Council's website, and accord with the NALC Model Forms. While we note that the Council has a published Code of Conduct, this has not been reviewed since February 2020, despite being subject to annual review (we previously commented on this in our 2021-22 report).

We note that the tendering levels in both documents (SO18a(v) and FR11.1h refer) have been left at the NALC default level of £25,000. We suggest that a level of £10,000 would be more appropriate to the Council's current level of operation. However, we note good evidence of tendering practices in the Minutes.

We have reviewed the minutes of Council meetings during 2022-23, as posted on the Council's website, with no issues of concern noted.

We confirm that the Exercise of Public Rights for the 2021-22 accounts was properly undertaken in accordance with the Accounts and Audit Regulations.

While we note that the Council's current financial level falls between the Smaller and Main Cods of the Transparency Code 2015, we believe that all Councils should comply with the Smaller Code until they reach a transaction level (income or expenditure) of £200,000 per year. While some of the requirements are already met, these could be enhanced in a spirit of Open Government. We have discussed this with the Clerk.

Conclusions

No matters arise in this area warranting further comment or recommendation, other than our observations about updating the Code of Conduct, revising tendering levels, and more closely implementing the Transparency Code 2015.

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate documentation supports payments, 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 analysis has been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We note that schedules of payments due are submitted to each meeting of Council. However, we can only find evidence that around 25% of approved payments are formally signed, which should again regarded as best internal control practice.

We note that a VAT reclaim for 2022-23 has been prepared and submitted to HMRC for settlement. The Alpha accounts generate the reclaim detail of which we have checked and agreed to the accounting system with the total value equating to that recorded in the nominal control account.

Conclusions

No matters arise in this area warranting further comment or recommendation, other than our concern about a higher level of formal sign-off by Councillors of approved expenditure.

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 to minimise the opportunity for their coming to fruition.

There is no evidence in the Minutes of an appropriate risk review having been undertaken during 2022-23. We are required to note this in our AGAR report (Objective C), and the Council is required to note this as a negative in its AGAR Governance Statement (Assertion 5). It should be noted that we made the same observation in our 2021-22 report, which should therefore be undertaken as a priority.

We have examined the Council's insurance policy for the year with Aviva through BHIB Brokers, noting that both Employer's and Public Liability cover stands at £10 million, together with Fidelity Guarantee cover at £150,000 and Officials Indemnity at £500,000, with appropriate property cover for the Council's assets, all of which we consider appropriate for the Council's present needs.

We note that the Council's play areas are subject to annual RoSPA inspection and report, the outcome being presented to members for formal agreement of any remedial action deemed necessary, with an appropriate contractor engaged to undertake the necessary repairs.

We note that play area inspections continue to be undertaken weekly on a rota with a formal record of each inspection completed and sent to the Clerk for electronic filing.

Conclusions

No matters arise in this area warranting further comment or recommendation, other than our observations about the repeated failure to review risks on at least an annual basis.

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 Wiltshire 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 and cover any unplanned expenditure that might arise.

We note that the 2023-24 budget and Precept detail were formally approved and adopted at the January 2023 Council meeting. While the actual Precept value was not formally minuted, we have confirmed it as £53,743.

The Council has total funds of £152,452 as at 31 March 2023. The Alpha system shows Earmarked Reserves (EMRs) of £106,889, plus a further £35,000 as a 'Contingency Reserve' which we regard as part of the General Reserve. Therefore the General Reserve stands at £45,563, which represents 84.8% of the agreed Precept against a Best Practice figure of 50%. The level of reserves is high, and should be kept under regular review.

We again note that the Financial Reserves Policy adopted by the Council in May 2020 has not subsequently been reviewed, which was an annual objective.

Conclusions

No matters arise in this area warranting further comment or recommendation, other than our observations about the high level of reserves, and the need to periodically review the Financial Reserves Policy.

Review of Income

The Council has relatively limited sources of income, primarily the annual Precept, allotment rents, recoverable VAT, bank interest, grants (including CIL moneys) and donations.

Our objective in this area is to ensure that all income due to the Council is identified and recovered within an appropriate period and is also banked promptly. We have test-checked significant receipts between the accounting system and the bank statements, with no issues arising.

Finally, we note that new Allotment Contracts were approved with effect from November 2022.

Conclusions

No matters arise in this area warranting further comment or recommendation.

Petty Cash Account

The Council does not operate a formal petty cash account. Therefore, no matters arise in this area warranting further comment or recommendation.

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 as regards the deduction and payment over of income tax and NI contributions.

We note that preparation of the monthly payroll is now outsourced to an external contractor who provides all relevant documentation pertaining to the clerk's salary, tax, NI and NEST pension deductions and Council contributions to facilitate payment of the net salary and HMRC / NEST monthly payments.

To meet the above objective, we have: -

- Checked and agreed detail of the gross pay of the clerk's salary to her employment contract and approved salary rate for March 2023, which included the backdated NJC pay award;
- Verified the tax and NI deductions applied by reference to the relevant HMRC tables based on her Tax Code for the same two months;
- Ensured that all net pay, HMRC and NEST payments have been processed in an appropriate and timely manner.

Conclusions

No matters arise in this area warranting further comment or recommendation.

Fixed Asset Register

The Governance and Accountability Manual (GAM) sets out the reporting requirements for Fixed Assets in the AGAR. We note that the Council's Asset Register was reviewed in March 2020 to more closely accord with the GAM requirement to record assets at original cost (net of VAT) or, if this figure is not available, a notional cost.

We have been informed that the asset valuation as at 31 March 2023 is, at the time of audit, still to be approved by Council. The total shown on the AGAR (Section 2, Box 9) still shows an historical figure of £140,251 which has remained unchanged for some years. However, we note at least one capital purchase in 2022-23 (a Speed Indicator Device at £2,250) which should be added to the asset total.

Conclusions

Given the above uncertainty over an reasonable asset valuation, supported by an approved Register, we are unable to give any assurance in this aspect of our report.

Investments and Loans

The Council has no funds invested in long-term deposits, only in a Unity Trust deposit account, nor are any loans in existence either repayable by or to the Council.

Statement of Accounts / AGAR

All Councils are required to prepare and submit to their appointed external auditor each year a completed AGAR before 30th June. The Alpha accounting software generates all necessary end-of-year financial information, including the detail to be disclosed in the AGAR at Section 2, excluding the asset value, which we have commented on above.

We have checked and agreed the financial values to be reported in the 2022-23 AGAR to the underlying year-end financial detail, as set out in the Rialtas Alpha accounting records with no issues arising.

Conclusions

Subject to our observations in this report, we have duly signed off the IA Certificate in the 2022-23 AGAR with appropriate assertions in each relevant area.

Rec. No.	Recommendation	Response
<hr/> No Recommendations made.		