

Internal Audit Report for Stanway Parish Council for the year ending 31st March 2023

Clerk: Donna Tristram	RFO: Donna Tristram	Chairperson: Cllr Bloomfield
2020/21 Precept: £270,000 2021/22 Precept: £270,146 2022/23 Precept £290,762 2023/24 Precept £353,793	Income: Budget: £5,310.00 Actual: £103,286.17	Expenditure: Annual Budget £290,762.00, Actual: £425,831.40
General reserves: £136,175.65 as at 31/3/2023	Earmarked reserves: £64,488.00 as at 31/3/2023	Auditor: Gordon Mussett
Audit type: Year End		

Introduction

The primary objective of internal audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council. To achieve this I adopt a predominantly systems-based approach to audit.

The council's internal control system comprises the whole network of systems established within the council to provide reasonable assurance that the council's objectives will be achieved, with reference to:

- the effectiveness of operations
- the economic and efficient use of resources
- compliance with applicable policies, procedures, laws and regulations
- the safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- the integrity and reliability of information, accounts and data

Methodology

When conducting the audit, the internal auditor may:

- carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete the Annual Internal Audit Report 2020/21 of the Annual Governance and Accountability Return (AGAR)
- review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information
- review the means of safeguarding assets and, as appropriate, verify the existence of such assets
- appraise the economy and efficiency with which resources are employed, identify opportunities to improve performance and recommend solutions to problems
- review the established systems to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations, and determine whether the council complies
- review the operations and activities to ascertain whether results are consistent with objectives and whether they are being carried out as planned

Section 1 – Proper Bookkeeping		
I will look at the methods and processes used to manage the Council's accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, up to date, referenced and verified.		
Evidence		Internal Auditor Commentary
Is the Ledger maintained and up to date ?	Yes	The Council uses the Scribe accounting package which produces reports on an income and expenditure basis.
Is the Cash Book up to date and regularly verified ?	Yes	Cash books are reconciled on a monthly basis and the Parish Council is registered for VAT. Reports including bank reconciliations go to the Corporate Governance Committee.
Is the arithmetic correct ?	Yes	A number of transactions were checked and found to be correct.

Section 2 – Financial Regulations & Standing Orders		
I checked the date the Council carried out its annual review of Standing Orders and Financial Regulations and, in particular, check if these are based on NALC's latest model which includes legislative changes.		
Evidence		Internal Auditor Comment
Have Standing Orders been adopted, are they up to date and reviewed annually ?	Yes	Reviewed 26 th May 2022 by Full Council
Are Financial Regulations up to date and reviewed annually ?	Yes	Both by Full Council on 26 th May 2022 and again on 24 th November 2022.
Has the Council properly tailored the Financial Regulations ?	Yes	
Has the Council appointed a Responsible Financial Officer ?	Yes	

Section 3 – Payment Controls		
I have specifically checked bank reconciliation including credit/debit cards and management approval processes and evidence that internal Financial Regulations (FO) are being followed. I examined how regular payments are managed and specifically seek evidence that these have been brought back to the Council for verification purposes especially where the actual payment made		

differs from the amount previously agreed. VAT should be clearly identified including evidence that claims have been correctly managed. I checked if the Council had a clear understanding on eligibility in relation to the General Power of Competence and that s.137 has been correctly applied and managed.

Evidence		Internal Auditor Comment
Is there supporting paperwork for payments with appropriate authorisation ?	Yes	
Where applicable are internet banking transactions properly recorded and approved ?	Yes	
Is VAT properly identified, recorded and claimed within the limits ?	Yes	
Has the Council adopted the General Power of Competence and is there evidence this is being applied correctly ?	No	
Are payments under S137 of the LGA 1972 separately recorded, minuted, and is there evidence of direct benefit to the electorate ?	No	S137 payments are all identified as grant payments, and not all of them were payable under S137, as this section of the 1972 LGA may only be used where the Council does not already hold a power to undertake the thing being financed.
Where applicable are payments of interest and capital sums in respect of loans paid in accordance with agreements ?	Yes	

Section 4 – Risk Management

I would expect to find evidence of the management of risks from identification of what those are for the Council through to how these will be managed and the controls in place to mitigate these, and that these have been approved by the Council.

Evidence		Internal Auditor Comment
Is there evidence of risk assessment documentation ?	Yes	There is evidence of “higher level” and job specific risk assessments being prepared or completed.
Is there evidence that risks are being identified and managed ?	Yes	

Does the Council have appropriate and adequate insurance cover in place for employment, public liability and fidelity guarantee and has it been reviewed on an annual basis ?	Yes	This was reviewed and increased in November 2022.
Evidence that internal controls are documented and regularly reviewed ?	No	A properly documented and audited report remains to be submitted to Council. Council must ensure that its internal controls are reviewed at Full Council on an annual basis.
Evidence that a review of the effectiveness of internal audit has been carried out during the year ?	Yes	Independent review conducted and reported

Section 5 – Budgetary Controls		
I have sought verification that budgets are properly prepared, agreed and monitored. In particular I have looked for evidence of good practice in that the key stages of the budgetary process have been followed.		
Evidence		Internal Auditor Comment
Has the budget been properly prepared and agreed ?	Yes	
Has the precept amount been agreed by Full Council and clearly minuted ?	Yes	Agreed at 26 th January 2023.
Regular reporting of expenditure and variances from budget ?	Yes	At each Full Council meeting
Reserves held – general and earmarked ?	Yes	As at 31 st March 2023:- General £136,175.65 Earmarked £64,488.00

Section 6 – Income Controls
I have looked for evidence that income is correctly managed – recorded, banked and reported and I have checked mechanisms used to achieve this.

Evidence		Internal Auditor Comment
Is income properly recorded and promptly banked ?	Yes	
Is income reported to Full Council ?	Yes	Reported to each Full Council meeting
Does the precept recorded agree to the Council Tax authority's notification ?	Yes	
If appropriate, are CIL reporting schedules in accordance with the Regulations ?	N/A	
Is CIL income reported to Full Council ?	N/A	
Does unspent CIL income form part of earmarked reserves ?	N/A	
Has an annual report been produced ?	No	
Has it been published on the authority's website ?	No	

Section 7 – Petty Cash		
Has the Council followed its own procedures and verification processes and are these up to date.		
Evidence		Internal Auditor Comment
Is Petty Cash in operation ?	No	
If appropriate is there an adequate control system in place ?	N/A	

Section 8 – Payroll Controls		
I have checked salaries are approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. If the Clerk has been recruited during the year evidence will be required to show compliance with the new requirements for the statement of employment, induction, probation and training requirements. I have also reviewed how payroll is managed including evidence of approval of Payslips.		
Evidence		Internal Auditor Comment
Do all employees have a contract of	Yes	

employment ?		
Has the Council approved the salary paid ?	Yes	In view of the fact that staff costs account for 25%+ of the Council's expenditure a separate staffing budget review is recommended, setting out in detail for Councillors the grades and agreed hours of work for each member of staff, together with their current actual salary.
Minimum wage paid ?	Yes	
Are arrangements in place for authorisation of Payroll and payments by the Council ?	Yes	
Do salary payments deduct PAYE/NI ? Is PAYE/NIC paid promptly to HMRC ?	Yes	
Is there evidence the Council is aware of its pension responsibilities ? Are pension payments in operation ?	Yes	Member of Essex Pension Scheme
Are there any other payments (e.g. expenses) and are these reasonable and approved by the Council ?	Yes	Homeworking allowance and travel expenses

Section 9 – Asset Control

I have checked that there is a list of assets in accordance with proper practices including the date of acquisition, location and value. This extends to checking policies (with evidence of review) and that the Council has applied a documented approach in practice. I have checked not only valuation processes but the existence of reserve budgets for depreciation and adequacy of insurance. A clear audit trail should be available when items are purchased including minutes to evidence approval.

Evidence		Internal Auditor Comment
Does the Council manage a register of material assets and manage them in accordance with proper practices ?	Yes but see comment	The Asset Register has been reviewed during the year, and there is evidence that in previous years there has been a physical check on assets. However the method of valuation is now set as "current value" (with no agreed definition of an asset). The Clerk is referred to the JPAG Practitioners Guide 2022 pages 40 and 41 for detailed guidance on constructing and maintaining an asset register.

Are the value of the assets included (N.B. values for insurance purposes may differ) ?	Yes	I can find no note on the asset register as to the definition of an asset (which in 2023 should perhaps be any single item with a purchase price in excess of £500 – this figure equates to the Transparency Code publishing requirement). In addition there is no explanation given as to why some items are assigned a nominal value of £1; whilst this is permitted under the Regulations an explanation should be provided.
Are records of deed, land registry title number available ?	Yes	
Is the asset register up to date and reviewed annually ?	Yes	As at November 2023
Cross-checking of insurance cover	Yes	This took place in November 2022.

Section 10 – Bank reconciliations		
Does the Council understand and evidence good practice and internal control mechanisms in relation to bank reconciliation.		
Evidence		Internal Auditor Comment
Is bank reconciliation regularly completed and reconciled with the cash book and cover every account ?	Yes	Reported to every regular Full Council meeting
Do bank balances agree with bank statements ?	Yes	
Is there regular reporting of bank balances at Council meetings ?	Yes	Very full reports are presented to each regular Full Council meeting.

Section 11 – Year End Procedures		
Evidence		Internal Auditor Comment
Are appropriate accounting procedures used ?	Yes	
Financial trail from records to presented accounts ?	Yes	

Has the appropriate year end AGAR document been completed ?	No	To be completed at future Council meeting
During the period in question did the Council correctly provide for the exercise of public rights as required by the Accounts and Audit Regulations ?	Yes	
Have the publication requirements been met in accordance with the Regulations ?	Yes	

Section 12 – Internal Audit		
Have previously identified weaknesses been addressed and recommendations considered. Are any further changes required to ensure effectiveness.		
Evidence		Internal Auditor Comment
Has the previous Internal Audit Report been considered by Council ?	Yes	These are considered by the Internal Audit Committee/Corporate Governance Committee with recommendations being referred to Full Council. However good practice would suggest that the Audit Reports (both Internal and External) should be considered by Full Council so that all Councillors are aware of their content.
Has appropriate action been taken regarding any recommendations raised ?	Yes	
Has the Council confirmed the appointment of the Internal Auditor	Yes	Gordon Mussett was appointed as Internal Auditor for 2022/2023 on 26 th May 2021
Has the Council considered the effectiveness of Internal Audit ?	No	

Section13 – External Audit for the Period Under Review		
Evidence		Internal Auditor Comment
Has the previous External Audit Report been considered by the Council ?	No	The External Audit Report (which raised no matters for the Council to consider) appears not to have been taken to Full Council (see 12 above).

Has appropriate action been taken regarding the comments raised ?	N/A	There were no matters raised
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Section 14 – Additional Information		
Evidence		Internal Auditor Comment
Was the annual meeting held in accordance with legislation ?	Yes	
Is there evidence Minutes are administered in accordance with legislation ?	Yes	Minutes are available on the Council's website.
Is there a list of Members' Interests held ?	Yes	
Does the Council have any Trustee responsibilities and are these clearly identified on a Trust Document ?	No	The Parish Council is corporate Trustee of a number of premises.
Has the Transparency Code been correctly applied and information published in accordance with the current legislation ?	Yes	
Has the Council registered with the Information Commissioner ?	Yes	Z2785850 on 26 th July 2022
Is the Council compliant with the General Data Protection Regulations ?	Yes	Privacy and Cookies Stanway Parish Council (stanwaypc.org.uk)
Has the Council published a website accessibility statement on their website in line with the Regulations ?	Yes	Accessibility Stanway Parish Council (stanwaypc.org.uk)
Is there evidence that electronic files are backed up ?	Yes	
Do terms of reference exist for all Committees and is there evidence these are regularly reviewed ?	Yes	Revised and adopted during the year

Do the following policies exist, have they been formally adopted and are they regularly reviewed ? Health & Safety Equal Opportunities	Yes	Adopted January 2023
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Notes:-

During the External Audit of the Council's 2021/22 accounts by PKF Littlejohn in 2022, errors were found in respect of how certain payments to staff and the previous locum Clerk should be treated. Whilst there was no financial impropriety the External Auditor agreed that the already signed and approved 2021/22 AGAR should be amended. There was no evidence of this amended AGAR being presented to Council and the version on the Council's website is that of the original. Any amendments to the Council's accounts must be presented to Council and the website entry updated.

Summary of Issues to be Addressed during 2023/2024

- Section 3 Review use of S137 Powers – cannot be used if a power already exists
- Section 9 Review Asset Register
- Section 12 Discuss Internal Audit Reports at Full Council

G N Mussett
12/6/23