

Keith Robertson

Internal Audit Services

UDIMORE PARISH COUNCIL Internal Audit Report 2021--22

Introduction

In accordance with the Internal Audit Plan, Controls and Procedures have been tested, with Fraud and Risk Issues reviewed. The tests were to the standards and practices defined in the Governance and Accountability for Smaller Authorities 2021 and meet the needs of the Council. I confirm that I do not have any role within the Council and have carried out my duties without bias.

The audit was completed on 9th May 2022 at the Burwash Parish office. The majority of the issues raised in the prior year IA report have been partly or completely considered but not all have been resolved. The compliance issues concerning the publication of transparency code and the Governance and Accountability data on the Council's website remain as outstanding issues. There are further improvements to be made on reserve planning and reporting.

The report below highlights the findings of the audit with reference to the Internal Control Objectives and Governance Statements in the Annual Return.

Update on issued raised in the 2020-21 Internal Audit Report.

Employee Costs

- Supporting documents to be provided when approving the payroll in meetings. The supporting data is from an excel file. This could be improved by having the reports produced by the HMRC basic payroll system presented and initialled when approving payments. **Not completed.**
- Cash book to have expenses identified separately. **Completed.**
- Cash book did not reconcile to the records held in the payroll system. Updated and corrected for 2021-22 **Completed.**
- Home working expenses to be excluded on the AGAR. **Completed.**

Assets

- **An update of the register to clarify what assets are owned and insured is recommended. Completed- insurance schedule is sufficient.**

Budgets

- The budget and Accounting Statements need to be updated to correctly budget for and report all reserve balances. **Not completed.**

Limited Assurance Review Exemption.

- Now noted in the minutes but not in the correct format. **Completed.**

Transparency code.

- transparency code data required to comply with the regulations in 2020-21 and 2021-22 audits was not correct. **Not completed**

Exercise of Public Rights

- There were no records of the publication of public rights for 2019-20 posted on the Council's website or in its minutes during 2020-21. **Box 4 on the Governance report for 2020-21 should have been ticked as NO but was ticked yes in 2020-21.**
- There was a posting on the website in 2021-22 and in the minutes noting dates for inspection but the format was not correct and did not satisfy the audit regulations. **Governance Box 4 for 2021-22 must be ticked as NO. Not completed**

Publication of AGAR documents.

- Not all of the required documents were published on the website in 2021-22 for the 2020-21 year end. **Not completed.**

When noting the above responses to prior audit reports the Council should consider if it can answer YES to Governance Box 7 for the 2021-22 AGAR "We took appropriate action on all matters raised in reports from internal and external audit"

Internal Audit Report 2021-22

A. Appropriate Accounting Records.

- A.1 The financial records are maintained in an XL cash book. The format and financial data is adequate for the Council's needs.
- A.2 VAT is properly accounted for a reclaims are upto 31-3-22. Noted that the claim for 2021-22 has not yet been submitted.
- A.3 Financial reports are presented to Council and agree to the financial records and to the 2021-22 AGAR.
- A.4 Bank reconciliations are prepared routinely and are subject to the scrutiny of members. This is registered in the minutes. **Recommend that a Councillor also initials the bank reconciliations.**
- A.5 Expenditure Approval. A sample of payments confirmed the Financial regs were complied with, invoices approved by the Council with and audit trail through the financial records. **Recommended that a Cllr also initials the approved invoice at the time of approval.**

B. Financial Regulations, documentation and approvals.

- B.1 Fin Regs reviewed November 2021 and SO updated Sept 2021.
- B.2 The Agendas & Minutes were posted on the Councils website.
- B.3 Bank Mandates. It is noted that the Clerk has updated the Bank Mandates which are now current, and has on line banking live but as at May 2022 Cllrs who are on the mandate have not been added to the on-line approvals system. The Clerk is entering and approving on line payments. **The Clerk is aware of this and attempting to get the Bank to add Cllrs to the on-line mandate as soon as possible in 2022. This process is not aligned with the financial regulations and does present a risk with the Clerk able input and approve on line payments**
- B.4 VAT and VAT claims are processed correctly. Noted changes for MTD will apply from April 2022.

C. Risk Assessment

- C.1 A Risk Register was produced and is adequate.
- C.2 Internal Audit Effectiveness. Items noted in prior audit were seen and accepted by the Council but not all have been addressed.
- C.3 Insurance – The Parish Council's Insurance in place is sufficient in total to cover its declared assets values, financial and liability risk.

D. Budgeting & Precept

- D.1 Reporting. Actual expenditure is compared with the budget and any significant variances are explained. Reserves reporting is not clear but does not present a significant risk.
- D.2 Annual budgets are prepared in support of the precept. The precept was de-created for 2022-23 and does provide sufficient funding to cover current year costs. General reserves are adequate as at 31-3-22.
- D.3 The budget process did include a review of 2021-22 year forecast of receipts and payments but not a formal review of reserve levels. An alternative approach to reserve planning was discussed.

E. Receipts

- E.1 Income is primarily from the annual precept & Cil funds.
- E.2 There is no VAT on income.

F. Petty Cash – The Council does not use a petty cash system or hold petty cash.

G. Employee Costs

- G.1 Staff Wages – Payroll is managed by the clerk. Data is input to HMRC payroll, totals are summarised on a word document which is presented to Cllrs, approved for payment and logged in the minutes. The supporting documents (HMRC reports, or payslips) are not always present when approvals are made. **It is again recommended that the supporting documents from the payroll system are provided as available for review when approving the payroll in meetings.**
- G.2 Payments to the Clerk can include reimbursement of expenses. These are noted on the payments list.
- G.3 Salary costs in the cash book reconcile to the P60 for the Clerk.
- G.4 The Clerk/RFO has a contract of employment.

H. Assets

- H.1 Assets – An Asset register is maintained. Asset register values agree to the prior year asset values reported in the AGAR plus purchases in the year.. Insurance cover is adequate.

I. Bank Reconciliations.

- I.1 Bank Reconciliations are completed on a bi-monthly basis, presented to the Council at the bi-monthly meetings for review are minuted as being reviewed. Councilors do see bank statements when approving the reconciliations. Samples checks in this audit confirmed this control is being applied. It is recommended that a Councillor initials the completed bank rec.

J. Accounting Statements.

- J.1 The accounts are maintained on a Receipts and Payments basis and reports agree to the cash book.
- J.2 Reserves – Total reserves are £15.6K There is no defined reserves statement as at 31-2-21 that agrees to the total reserves. The budget did address reserves but this was not arithmetically correct. **The budget and Accounting Statements need to be updated to correctly budget for and report all reserve balances.**

K. Limited Assurance Review Exemption.

The Council did correctly exempt itself in 2020-21 and did post the exemption on its website. Noted that the form used to exempt in 2020-21 was for Parish Meetings not Parish Councils but for the purposes of this audit is considered acceptable.

L. Transparency code.

It was noted in the prior year internal audit report that no AGAR or transparency code data has been published for 2 years. This Council did exempt from external review in 2020-21 and so was subject to TP publication requirements. The TP code rules are published on the website but not the required data. **The Council did not therefore publish the transparency code data to comply with the regulations for Councils under £25K in 2021-22 for the year 2020-21.**

M. Exercise of Public Rights 2020-21.

There is a statement of the dates published on the Councils website but not in the correct format or with all of the information required. **The Council did not therefor comply with the audit regulations and must answer no to Box 4 on the Governance Statement in the 2021-22 AGAR.**

N. Publication of AGAR documents for 2020-21

The Council published AGAR forms 1 & 2 for 2021-22 on its website (these were Part 2PM forms for Parish Meetings and should have been Part 2 forms for Council. The bank reconciliation and variance analysis reports were not published. **The Council did not correctly publish the 2020-21 AGAR forms in 2021-22.**

O. Trust Funds. The Council has confirmed that does not manage any trusts.

It is noted that the figures have been produced by the Clerk in accordance with the requirements and all supporting documents have been produced for the Internal Auditor. The Clerk's co-operation aided considerably the work of this internal audit. Thank you.

Keith Robertson FCMA
Internal Auditor
11th May 2022