

Trowse Parish Council

Internal Audit Report
Financial Year 2021/22

Prepared by Sonya Blythe
25 June 2022

I have completed an internal audit of the accounts for Trowse Parish Council for the year ending 2022.

My findings are detailed below using the tests provided in the Governance and Accountability (England) guidance.

Internal control	Test	Observations
Proper bookkeeping	Is the cashbook maintained and up to date?	No full cashbook available but list of payments and income available
	Is the cashbook arithmetically correct?	Yes – income and expenditure on Scribe reports agree with bank statements
	Is the cashbook regularly balanced?	Not for 21/22 – but new system started by new Clerk
Standing Orders, Financial Regulations and payment controls	Has the council formally adopted Standing Orders and Financial Regulations?	Yes
	Date Standing Orders last reviewed	May 19. The SOs were on the agenda to be reviewed in December 21 and January 22 but Council deferred agreeing them. These are not the most up to date version of the NALC model standing orders.
	Date Financial Regulations last reviewed	October 19
	Has a Responsible finance officer been appointed with specific duties?	Yes – Parish Clerk is RFO. Cllr Bowers acts as Internal Controls officer.
	Are payments in the cashbook supported by purchase orders, invoices, authorised and minuted?	Invoices available and list of payments is provided to Councillors at meetings which are initialled. Payments are not included within the minutes or agenda or meetings as they should be.
	Has VAT on payments been identified, recorded and reclaimed?	Yes – identified in cashbook. Last claim received 17/1/22, per Scribe report.
	Is s137 expenditure separately recorded and within statutory limits?	No separate S137 line included in budget. Without a spend against budget document it is hard to establish whether S137 payments were made.
Have S137 payments been approved and included in the minutes as such?	As above	

Internal control	Test	Observations
Risk management arrangements	<p>Does a review of the minutes identify any unusual financial activity?</p> <p>Do minutes record the council carrying out an annual risk assessment or review of their risk management scheme?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are internal financial controls documented and regularly reviewed?</p>	<p>Payments not recorded within minutes.</p> <p>No – last risk assessment minuted October 2019.</p> <p>No record of formal asset check being carried out.</p> <p>Insurance schedule seen. Public liability and employee liability adequate.</p> <p>May 19 risk review - not adequate for internal controls.</p>
Budgetary controls	<p>Has the council prepared an annual budget in support of its precept and has this been minuted as being approved?</p> <p>Has the precept been calculated from the budget and been approved?</p> <p>Does the budget include an actual completed year?</p> <p>Is actual expenditure against budget regularly reported to the council?</p>	<p>Yes- budget seen and considered at February 22 meeting.</p> <p>Yes – special precept setting meeting held 22. Amount recorded as being approved.</p> <p>Yes</p> <p>No, but now Scribe is up to date the new Clerk will carry this out going forward. There was a Councillor request at the September 21 meeting for more budget information at meetings but this did not occur.</p>
Income controls	<p>Are there any significant unexplained variances from budget?</p> <p>Is income properly recorded and promptly banked?</p> <p>Does the precept recorded agree to the Council Tax authority's notification?</p>	<p>No spend against budget available for 21/22.</p> <p>New Clerk is ensuring this is done. There are some discrepancies with the 21/22 allotment incomes which are being rectified. Detailed Scribe information provided for the existing payments.</p> <p>Received £23750, tallies with January 21 precept setting minutes.</p>
Petty cash procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?	N/A

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	Is petty cash expenditure reported to each council meeting?	N/A
	Is petty cash reimbursement carried out regularly?	N/A
Payroll controls	Do all employees have contracts of employment with clear terms and conditions?	Contract for new Clerk not yet in place.
	Do salaries paid agree with those approved by the council?	Yes
	Are salaries above the National Living Wage/Minimum Wage?	Yes
	Are other payments to employees reasonable and approved by the council?	Yes – expense claims checked.
	Have PAYE/NIC been properly operated by the council as an employer?	Yes – payslips and HMRC report seen.
Asset controls	Does the council maintain a register of all material assets owned or in its care?	Yes, copy seen
	Are the assets and Investments registers up to date? When were these last reviewed?	List is up to date and tallies with box 9 of AGAR
	Do asset insurance valuations agree with those in the asset register?	Insurance schedule seen. There seem to be some items on the asset register not listed on the insurance schedule, and so it would be worth checking this in due course.
Bank reconciliation	Is there a bank reconciliation for each account and is this reported to council?	Has not been done regularly through the year, but year-end reconciliation available.
	Is a bank reconciliation carried out regularly and in a timely fashion?	Not regularly through 21/22.
Year-end procedures	Are there any unexplained balancing entries in any reconciliation?	No – year end matches bank accounts.
	Are year-end accounts prepared using the correct accounting basis (Receipts and Payments or Income and Expenditure)?	Yes.
	Do accounts agree with the cash book?	Bank statements agree with reconciliation and income / expenditure reports.

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	Has a year-end bank reconciliation been undertaken?	Yes.
	Is there an audit trail from underlying financial records to the accounts?	Yes – invoices available for all payments on Scribe report.
Procedural	Is eligibility for the General Power of Competence properly evidenced?	N/A
	Have points raised on the last Internal Audit report been considered by council and actioned?	Update standing orders – no Review internal control and risk -no Regular budget updates should be given to Council - no Monitor general reserves – no Asset register should be reviewed eg add telephone box - no Payments should be listed in council minutes - no
Transparency: For smaller councils with turnover under £25,000 – best practice for Council's over £25,000.	Minutes for whole year on website?	Yes
	Agendas for whole year on website?	Yes
	Payments over £100 detailed on website?	No – no payment detailed either in minutes or financial section on website
	Electors' rights advertised on website?	Yes
	Councillors' responsibilities detailed on website?	Yes
	Last financial year's AGAR on website?	Yes
	Land and building assets details on website? (Description, location, owner/leaseholder, date and cost of acquisition and present use)	No – cemetery ownership details not published.
Burial Authorities only	Are fees levied in accordance with the Council's approved scale of fees and charges?	Fees not advertised on website or included within minutes so cannot check this. Burial fee of

Internal control	Test	Observations
	Have fees for the cemetery been reviewed and agreed by Council?	£100 included within 21/22 receipts. Yes – November 2021 Council minutes.
	Have burial books been kept up to date and are they safely stored?	New Clerk has not yet received records.
Allotments only only	Has a list of allotment holders with amounts paid to Council been submitted?	Available as part of Scribe receipts report.
	Have fees for the allotments been reviewed and agreed by Council?	Could not see fees reviewed under Open Space and Property Committee, though not all minutes published.

Summary of my recommendations:

Thank you to Kate for providing all of the documentation requested to carry out the audit.

There are quite a few recommendations following. The majority of these were also highlighted to the Council last year and so are no reflection on Kate who has taken on production of the AGAR in extremely trying circumstances, and has performed wonders to have pulled the paperwork required together to this extent.

1. Last year's internal audit. There were several recommendations made in last years internal audit report which the Clerk at the time did not carry out and Council do not seem to have taken ownership over. There is a note in May 21 Council minutes that the outcomes of the audit will be discussed at the June Finance Committee meeting, however the minutes of these were not published to be able to establish to what extent these were discussed and what action plan was put in place.

Recommendation 1: Internal audit recommendations become a standing item on either Council or Finance agenda until all have been completed.

Recommendation 2: All Committee meeting minutes need to be published on your website, as these are decision-making meetings.

2. Appropriate accounting records. I have checked the final figures on your bank reconciliation and compared these to the income / expenditure figures provided by Scribe as well as your year-end bank accounts. These all agree to each other. However a detailed cashbook should also be available showing the starting figure for each bank account, all transactions, and then the final figure.

Recommendation 3: Produce a cashbook and regularly present it to Council or Finance Committee, at least quarterly. Scribe should be able to produce this for you. It should also be given to your internal auditor next year.

3. Periodic bank reconciliations. The AGAR requires that periodic bank reconciliations have been carried out throughout the year. For a Council of this size I would expect to see the account used for payments reconciled monthly, and the reconciliation brought to

Council each month. From what I can tell from the meeting minutes, the accounts have not been reconciled at all throughout the year. With accounts that are reconciled monthly, you will always be able to spot any discrepancies between Scribe and bank accounts and remedy it.

Because no reconciliations have been carried out throughout the year I am unable to sign the box on the AGAR to confirm that periodic reconciliations were carried out during the year.

I have raised a query with Kate regarding the year-end figure for the Santander bank account, which might need slightly adjusting, and leave that with her to complete.

Recommendation 4: Monthly reconciliations for bank accounts used for regular expenditure to be received by Council or Finance Committee at each meeting. Other bank accounts should be reconciled at least twice per year. Scribe should be able to produce these for you.

Recommendation 5: Clerk to check 31 March 2022 Santander figure on bank statement against reconciliation and update all year-end figures if necessary.

4. Budget setting and subsequent budget monitoring. The budget was set at a separate Council meeting. A full years figures were available and the precept amount was minuted, as appropriate. There is no need to hold a separate meeting to agree the budget and precept, but this is an individual Council choice. During the year it would seem no budget monitoring has taken place, despite a request from a Councillor, minuted in September 2021. It is essential that Council receive a spend against budget report at each meeting. This, paired with the bank reconciliation, shows Council that there are enough funds available to approve the payments being proposed.

Recommendation 6: Council should be provided with spend against budget updates at each meeting. Scribe should be able to produce this report.

5. VAT. I have noted that your VAT has been claimed in the past financial year, for £11460. This should continue to be done as a minimum annually, though you can reclaim as frequently as quarterly, which may be more appropriate with your level of expenditure. I note that the Scribe payments report shows that VAT is being appropriately accounted for.

6. Standing Orders, Financial Regulations and Internal Controls. Despite being on the agenda in the last financial year, Council twice deferred agreeing the new Standing Orders. I haven't seen the draft of the new ones, but assume these were the latest version of the NALC model standing orders, which last year's auditor recommended that you adopt as your current SOs are missing some information.

Financial Regulations were last considered in 2019. As a minimum these should be reviewed every four years and so these are still within an acceptable timeline.

There is no specific Internal Controls document. Some internal controls are included on a 2019 risk register, but this is out of date (for example, it references not using internet banking, which isn't the case anymore).

Recommendation 7: Consider and adopt the updated NALC Standing orders.

Recommendation 8: Create a specific Internal Controls documents which accurately reflects the financial practices of the PC. This should be minuted as being accepted by Council.

Recommendation 9: Consider reviewing all of the above documents annually, as part of your Annual Parish Council meeting.

7. Transparency of payments. A random sample of invoices were checked against the Scribe reports, with no issues found. However, you are required to also include all payments made (excluding staff salaries) within your meeting minutes, or as an

attachment to them, so that parishioners can see how public money is being managed.

Recommendation 10: Add payments to your meeting minutes and website from 1 April 2022.

8. Risk assessments / asset checks. The latest risk assessment is dated 2019 and, as noted above, is out of date. Risk reviews should be carried out at least annually and be minuted as being reviewed, per the Accounts and Audit Regulations. As this has not been done I cannot sign to say you have managed your risks appropriately.

In addition, I also couldn't see from the minutes that regular checks of all of your assets have happened (not just the annual playground check). If these checks are happening they should be documented within minutes. If they are not then a system of checking at least once per year must be started.

Recommendation 11: The risk assessment should be updated and then continue to be reviewed at least annually. Recorded checks of all your assets, at least annually, should also be carried out. It would be a good idea for a Councillor to take on a "health and safety portfolio" to lead on these checks as the Clerk already has a significant workload.

9. Staff contact. The new Clerk has not yet been given a contract. Employers must give employees a contract within 2 months of the start of employment. This must include information about pension schemes and remuneration.

Recommendation 12: A contract must be issued for Kate without delay.

10. Adequate insurance. I have reviewed your insurance, and your employer and public liability provisions seem adequate. There seem to be some items on the asset register that are not included on the insurance schedule and so it would be worth checking that all assets are properly covered. In addition there seem to be some items not included on the asset list (e.g. phone box, as raised by the 20/21 internal audit).

Recommendation 13: Review your asset list to check that it is accurate. Once complete check with your insurance providers that all assets are appropriately insured. To do this you will need to update the insurance value section of the asset register.

11. Earmarked reserves. The AGAR form states that if Box 7 on the Accounting Statement is more than twice Box 2 then you must submit a breakdown of reserves at the year end, as part of the AGAR process. Your box 2 (precept) is £23750, and box 7 (balances) is £142734, therefore a breakdown must be submitted. The 20/21 internal audit references some earmarked reserves, which the new Clerk cannot find a record of. These EMRs will need to be identified before the AGAR can be submitted to the External Auditors.

Recommendation 14: Identify and record all earmarked reserves. These should be updated by Council at least annually in future. There should be a function for breaking down your general reserves into EMR categories on Scribe.

12. Transparency code requirements. There are specific transparency codes for Councils whose turnover is under £25000 or over £200,000. For those not within either category it is recommended that you match the code closest to your turnover. I have considered you against the lower bracket, the £25,000 requirements. As a requirement of this, you are obliged to publish all payments over £100 (excluding salaries). This is not currently being done, but will be covered by your meeting minutes once you implement **recommendation 7** above. In addition, details of any land and buildings that you own must be published. The easiest way to do this is to add them to your asset list and publish the whole document on

your website.

It should be noted that your turnover (expenditure) was £157504. If you reach the £200k limit then additional Transparency Code reporting will have to be undertaken.

Recommendation 15: update your asset list and publish on your website to fulfill transparency requirements.

13. Cemetery management. Your fees are not advertised on the website. When time allows a new tab on the website detailing fees and charges should be uploaded. Fees were reviewed by the PC, as is required each year. Of concern is the fact the new Clerk has not been handed the burial books. These should be obtained urgently and a secure storage location found.

Recommendation 16: Find and secure the burial records urgently.

Recommendation 17: Upload your burial fees to the website for transparency. As is stands there is no information pertaining to the cemetery on the website at all.

14. Allotment management. There was a problem identified by the new Clerk with some cheques from allotment holders not being cashed in 21/22. These missing payments are now being requested again and the new Clerk has put a new system in place for paying in income promptly. From what I can see (some of the Open Space and Property Committee minutes have not been published) the fees were not reviewed in 21/22. Fees should be reviewed annually.

Recommendation 18: ensure that allotment fees are reviewed annually.

15. Payroll. The Council is registered with HMRC and payments are reasonable. No concerns to raise.

16. Annual Return general. You have updated the figures submitted on the AGAR for 20/21, as another bank account was identified that had not been included at the time. In order to report this correctly to the external auditors, you need to complete the 20/21 figures on this years AGAR with what they should have been last year, and write RESTATED above all the changed figures. The following is taken from the Practitioners Guide:

Where an error has been identified in the prior year's accounts, after the external auditor's review, which has resulted in the carried forward figure in Line 7 being amended, then the corrected figure needs to be carried forward to the current year's Annual Governance and Accountability Return. The authority must clearly indicate that the prior year column in the accounting statements is 'Restated' and inform the external auditor

I confirm that the 21/22 AGAR figures agree to the year-end bank statement (box 7 £142734).

Having met Kate now several times in the course of carrying out this audit, I have no doubt that within the 22/23 financial year she will be able to enact the recommendations above and bring the Parish Council up to the required standard in all areas.

Sonya Blythe
Internal auditor