

Strumpshaw Parish Council

Internal Audit Report
Financial Year 2022/23

Prepared by Sonya Blythe
7 April 2023

I have completed an internal audit of the accounts for Strumpshaw Parish Council for the year ending March 2023.

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?	Yes – Scribe cashbook supplied
	Is the cashbook arithmetically correct?	Yes
	Is the cashbook regularly balanced?	Yes – Scribe updates balance for every transaction
Standing Orders, Financial Regulations and payment controls	Has the council formally adopted Standing Orders and Financial Regulations?	Yes
	Date Standing Orders last reviewed	2015 – some areas out of date (being reviewed May 23)
	Date Financial Regulations last reviewed	2022 – reviewed and updated
	Has a Responsible finance officer been appointed with specific duties?	Yes – Clerk is RFO
	Are payments in the cashbook supported by purchase orders, invoices, authorised and minuted?	Sample of invoices checked against cashbook – all correct against Scribe and authorised at Council. Payments on Scribe report are attached to minutes, but do not show amounts.
	Has VAT on payments been identified, recorded and reclaimed?	Yes – Scribe report supplied and claims submitted quarterly.
	Is s137 expenditure separately recorded and within statutory limits?	S137 payments made as grants to PCC etc.
Risk management arrangements	Have S137 payments been approved and included in the minutes as such?	Payments approved in minutes but not identified as S137
	Does a review of the minutes identify any unusual financial activity?	No
	Do minutes record the council carrying out an annual risk assessment or review of their risk management scheme?	Annual risk assessment carried out in July 2022 Asset checks – Clerk has provided information on wood and building checks

Internal control	Test	Observations
	Is insurance cover appropriate and adequate?	Policies from AXA and Village Guard seen. Cover appears adequate for assets listed
	Are internal financial controls documented and regularly reviewed?	Internal Controls adequate - last reviewed July 2022
Budgetary controls	Has the council prepared an annual budget in support of its precept and has this been minuted as being approved?	Yes – budget prepared and received in November 21 for 22/23 financial year. Approval in minutes
	Has the precept been calculated from the budget and been approved?	Yes – budget setting spreadsheet supplied. Precept amount minuted as £10520, with Band D amount included
	Does the budget include an actual completed year?	Yes
	Is actual expenditure against budget regularly reported to the council?	Yes – Scribe provides a receipts and payment report which includes spend against budget
	Are there any significant unexplained variances from budget?	No
Income controls	Is income properly recorded and promptly banked?	Yes- Scribe report shows regular recording of invoicing.
	Does the precept recorded agree to the Council Tax authority's notification?	Yes - £10520
Petty cash procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?	N/A
	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?	Yes – contract seen
	Do salaries paid agree with those approved by the council?	Yes – sample of payroll slips checked against Scribe accounts
	Are salaries above the National Living Wage/Minimum Wage?	Yes

Internal control	Test	Observations
	Are other payments to employees reasonable and approved by the council?	Yes – mileage, stationery etc all accounted for monthly
	Have PAYE/NIC been properly operated by the council as an employer?	HMRC report and pension records seen and correct
Asset controls	Does the council maintain a register of all material assets owned or in its care?	Yes – Scribe report received
	Are the assets and Investments registers up to date? When were these last reviewed?	Yes – items included up to end 22/23 (last item bus shelter - June 22)
	Do asset insurance valuations agree with those in the asset register?	Scribe asset list includes purchase value but not current value. However amounts on insurance seem adequate.
Bank reconciliation	Is there a bank reconciliation for each account and is this reported to council?	Yes
	Is a bank reconciliation carried out regularly and in a timely fashion?	Yes
Year-end procedures	Are there any unexplained balancing entries in any reconciliation?	No
	Are year-end accounts prepared using the correct accounting basis (Receipts and Payments or Income and Expenditure)?	Yes – R&P
	Do accounts agree with the cash book?	Scribe - 35,918.14 / Santander 35,918.14 Yes, tally with each other
	Has a year-end bank reconciliation been undertaken?	Yes
	Is there an audit trail from underlying financial records to the accounts?	Yes – invoices for all expenditure, detailed accounts report attached to minutes of all meetings.
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?	None raised

Internal control	Test	Observations
Transparency: For smaller councils with turnover under £25,000	Minutes for whole year on website?	Yes
	Agendas for whole year on website?	Yes
	Payments over £100 detailed on website?	Payments to be authorised all included as attachment to minutes, but actual amounts not visible due to website formatting
	Electors' rights advertised on website?	Yes- dated 28 May 2022
	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
Allotments only only	Has a list of allotment holders with amounts paid to Council been submitted?	Yes – all included within monthly Scribe report
	Have fees for the allotments been reviewed and agreed by Council?	Fees were reviewed as part of budget setting and an increase made. No information on actual fees on website.

Summary of my recommendations:

Thank you to Tanya for providing information and answering questions so promptly.

- I have checked through your accounts and confirmed them against income and expenditure receipts, as well as against payments in your cashbook. Bank reconciliations are regularly carried out for the accounts.
- I have confirmed that your Financial Regulations are up to date. Standing Orders require an update, but this has already been scheduled for May 2023.
- I have noted that your VAT has been claimed within the past year
- I have verified that your insurance is adequate
- I confirm that your payroll management meets requirements

- I have reviewed your budget setting process and noted that you provide Council with regular spend against budget information
- I have reviewed the AGAR against your year-end bank reconciliations and your accounts

Items to note:

1. Your Earmarked Reserves are very strong, with the exception of the Parish Council general reserves which stand at £800. It might be worth strengthening these over the next couple of years in case of unexpected PC payments, such as a new laptop, insurance claims where you need to pay the excess, the need for more staff hours etc.
2. S137 is correctly used to make payments, for example the church grant. However use of this power should be separately recorded within the minutes and accounts in future, as directed by NALC:
“-As Councillors are collectively expressing an opinion as to the commensurate local benefit, the expenditure under section 137 must be properly authorised by resolution.
-Pursuant to s.137 (7), a separate account must be kept of expenditure under the section. For many councils, all that is necessary is to have a separate column in the cash book. Steps need to be taken with computerised book-keeping to see that a total of the spend to date under this section is available on request”
3. Transparency Codes are in place for authorities with turnover of under £25k or over £200k. For those in between it is best practice to follow the one you are closest to, in your case under £25k. In order to meet this you need to upload information on any land you own, such as the woods and allotments. In addition payments over £100 need to be published. Whilst detailed financial reports are uploaded to the website, due to the formatting on the website it isn't currently possible to see the amounts. Tanya is therefore going to start producing the report differently which will show the payments being authorised and meet the criteria.

All in all I have no concerns to raise and as such have signed the internal audit section of the AGAR.

Sonya

Sonya Blythe
Internal auditor

