

South Hinksey Parish Council

Internal Audit Report 2022-23

Chris Hall

Consultant

for and on behalf of Auditing Solutions Ltd

Background

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system 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 again undertaken our review for the year remotely: we wish to thank both the former and new Clerks in assisting the process, providing all necessary documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have undertaken sufficient substantive testing to ensure that governance and financial controls remain effective.

Internal Audit Approach

In undertaking our review for the year, we have had due regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover, as applied to all clients, is designed to afford appropriate assurance that the Council's financial systems are robust and 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 'Internal Audit Report' in the Council's AGAR, which requires independent assurance over a number of internal control objectives.

Overall Conclusion

We have concluded that, based on the results of our review programme for the year, the Council has again maintained adequate and effective internal control arrangements. The work undertaken on the Council's accounting and other records is set out in the following detailed report, together with those issues arising with any recommendations further summarised in the appended Action Plan. The Council should now consider this report and respond to the recommendation made (which was made in earlier years but still hasn't been implemented) in due course.

We have also made a number of observations throughout this report which, although not warranting formal recommendation, we would invite the Council and the new Clerk to carefully consider.

We have completed and signed the 'Internal Audit Report' as part of the AGAR process, having concluded that the control objectives set out in that Report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

Detailed Report

Review of Accounting Records and Bank Reconciliations

The Clerk maintains the Council's accounting records using an Excel spreadsheet, which we consider appropriate given the annual level of transactions. The cashbook contains appropriate analysis columns to provide detailed information for inclusion in the Council's annual Statement of Accounts and the statutory AGAR.

The Council maintains two bank accounts (Current and Deposit) with Unity Trust. We have test-checked a sample of transactions, as recorded in the cashbook, to supporting bank statements with no issues arising. We note that bank reconciliations and budget performance are reported to and reviewed by Councillors during the course of the year and have verified the accuracy of the year-end bank reconciliation and accurate disclosure of year-end balances in the AGAR.

We note that, at the June 2021 meeting, the Vice Chair was nominated to undertake independent checks in accordance with Financial Regulation 2.2. While the Vice Chair is also a bank signatory, we have been assured that this authority is only used in extreme circumstances. However, we have not been given any evidence that this resolution has actually been implemented. We have discussed this with the new Clerk, and have been assured that this requirement will be established early in 2023-24.

Finally, in this area, we have ensured the correct disclosure of the combined account balances in the year's AGAR at Section 2, Box 8.

Conclusions

No issues arise in this area warranting formal comment or recommendation, other than our continuing observation about the implementation of Financial Regulation 2.2.

Review of Corporate Governance

Our objective in this area is to ensure that the Council is complying with best practice and has put in place appropriate arrangements to ensure that good governance is practiced and observed.

We note that, despite a resolution in June 2022 to upgrade the Council's Standing Orders, in accordance with the recommendation in our 2021-22 report, this was not undertaken. We have discussed this with the new Clerk, who has agreed to undertake this as a priority. We remain particularly concerned that the tendering limits in Standing Orders should match with appropriate sections of Financial Regulations.

Because our 2021-22 recommendation was not implemented during 2022-23, the Council is required to give a negative assurance in Section 1, Statement 7 on the 2022-23 AGAR. We have repeated our recommendation in this report.

We have reviewed the Council's Minutes for the year as posted on the Council's website to ensure that, as far as we may reasonably be expected to ascertain, no issues exist or are developing that may have an adverse affect on the Council's financial stability either currently or in the foreseeable future and are pleased to note that no such issues appear to exist.

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

Finally, we are pleased to note a good level of documentation on the Council's website that meets the requirements of the Transparency Code 2015.

Conclusions and recommendation

R1. The Council should review its Standing Orders to bring them into line with the NALC Model form, including appropriate tendering limits matched to its Financial Regulations (repeated from our 2021-22 report).

Review of Payments

We have test-checked an appropriate sample of transactions in the cashbook to determine whether the following criteria were met:

- Payments were supported by a trade invoice or appropriate acknowledgement of receipt
- VAT has been calculated correctly and identified for annual recovery
- The Council at a Council meeting approved each payment
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts, and
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

From our sample testing, we note that the practice of approving Councillors initialling each invoice to be paid has lapsed, and there is no evidence on the invoices that they have been checked by the Clerk in accordance with Financial Regulation 5.4. However, full details of each payment are recorded in the Council's Minutes.

We note that only minimal payments have been made against Section 137 during the year, which are well below the statutory maximum. However, we note that the new Clerk is CiLCA qualified, which suggested that the Council can adopt the General Power of Competence during 2023-24.

We note that the Council reclaims VAT from HMRC on a periodic basis. There is a small balance of £48.50 to be recovered as at 31 March 2023.

Conclusions

No issues arise in this area warranting formal comment or recommendation, other than our observation about the proper certification of invoices for payment.

Assessment and Management of Risk

We note that the Council reviewed its Risk Register at the March 2023 meeting, which meets the requirement of Financial Regulations for at least an annual review.

We have examined the Council's annual insurance schedule with Aviva through BHIB brokers, and consider that it is in line with expectation and remains appropriate for the Council's current needs with Public and Employer's Liability cover both in place at £10 Million, together with Fidelity Guarantee cover at £50,000, Official Indemnity at £500,000 and sufficient cover for the Council's assets. We have confirmed with the new Clerk that the asset cover includes the Burial Ground.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Budgetary Control and Reserves

We note that the Council Minutes in December 2022 confirm that, following due deliberation, the budget and Precept for 2023-24 were agreed and adopted. While the amount was not properly minuted, the Precept Demand shows the amount to be £21,002.

The Council has established Earmarked Reserves totalling £32,166 as at 31 March 2023, including a large provision for the Burial Ground. This leaves a General Reserve of £7,165. This represents approximately 34% of the Precept against a Best Practice level of 50%, although we note the large level of Earmarked Reserves that could be used in an unforeseen emergency.

Conclusions

No issues arise in this area warranting formal comment or recommendation, other than our observation about the proper minuting of the annual Precept.

Review of Income

The Council has only limited sources of income in addition to the annual Precept, comprising burial and associated fees, various grants, contributions and donations, together with bank interest and VAT refunds. We have checked and agreed the cashbook income entries to bank statements and supporting documentation, with no issues arising.

We note that the Burial Ground rules and regulations, which incorporate the schedule of fees and charges, have been set to align with the Oxford City Council levels, being adopted at the May 2022 meeting which meets the requirement of Financial Regulation 9.3.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Petty Cash Account

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

Review of Staff Salaries

We have reviewed the calculation of the former Clerk's gross salary and expenses against the terms set out in the employment contract and appropriate HMRC records. We note that a previous overpayment to HMRC was still being offset during most of 2022-23, resulting in a small unpaid balance of income tax deductions that was paid over to HMRC in May 2023.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Fixed Asset Registers

The Governance and Accountability Manual requires that all councils establish and maintain inventories/asset registers of buildings, land, plant and equipment, etc. owned by them, to be valued at original net cost or, where this is not identifiable, a suitable value which can be a nominal £1.

We have concluded that the Council's Asset Register complies with this requirement, although there have been no capital purchases made since 2021.

Conclusions

No issues arise in this area warranting formal comment or recommendation.

Investments and Loans

The Council holds no specific investments or loans requiring separate disclosure.

Statement of Accounts and AGAR

The AGAR, Section 2 now acts as the Council's statutory Statement of Accounts subject to external audit review and certification. We note that the income total for 2022-23 exceeds £25,000, which makes the Council's accounts subject to External Audit for this year.

We have checked the detail disclosed in the year's AGAR at Section 2 to the supporting cashbook analysis and the total receipts and payments, with no issues arising.

Conclusions

Having verified the accuracy of disclosure of the year's financial transactions in the AGAR and the satisfactory conclusions drawn from our programme of work for the year, we have duly signed off the Internal Audit Report in the AGAR assigning appropriate assurances in each area.

We would again confirm that, as detailed above, the Council's failure to properly take account of our 2021-22 recommendation during 2022-23 requires a negative assurance against Section 1 Statement 7 of the 2022-23 AGAR.

Rec. No.	Recommendation	Response
Corporate Governance		
R1	The Council should review its Standing Orders to bring them into line with the NALC Model form, including appropriate tendering limits matched to its Financial Regulations (repeated from our 2021-22 report).	