

## **Nash Mills Parish Council**

*Internal Audit Report 2022-23 (Final Report)*

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*Prepared by Susan Cook*

*For and on behalf of  
Auditing Solutions Ltd*

## **Background**

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems 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, during our two visits for the year, which took place on 17<sup>th</sup> January 2023 and 3<sup>rd</sup> May 2023. We wish to thank the Clerk for assisting in the process, providing all necessary documentation to facilitate the conduct of our review for the year.

## **Internal Audit Approach**

In undertaking our review, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford 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 'IA Certificate' in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

## **Overall Conclusions**

We are pleased to advise that, based on the work undertaken to date this year, the officer and the Council maintain adequate and effective internal control arrangements, the information provided on the website being particularly informative regarding the processes and controls in place by the Council. We are pleased to record that we have identified no issues warranting formal comment or recommendation.

We have duly completed and signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

We take this opportunity to remind the Clerk and Council of the requirements of the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.

## Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and that no anomalous entries appear in cashbooks or financial ledgers. The Council operates Current accounts with Lloyds Bank and Nat West with the Lloyds Bank Current Account being used for its day-to-day transactions. Surplus funds are currently held in a Nat West savings account and a Lloyds Bank 32 day savings account. We have: -

- Ensured that an appropriate coding structure is in place in the RBS Rialtas Alpha accounting software;
- Ensured that the closing balances for 2021-22, as reported in the Statement of Accounts and AGAR for that year, have been correctly rolled forward as opening balances for 2022-23 in the Alpha software;
- Checked and verified a sample of four months' transactions in the Current account cashbook (June, October, December 2022 and March 2023) by reference to the supporting bank statements;
- Verified transactions on all other accounts for the year to 31<sup>st</sup> March 2023 by reference to supporting bank statements, etc;
- Noted that payments are made exclusively online or by Standing Order / Direct Debit, with the resultant removal of risk that cheques remain unpaid for any significant time; and

Reviewed and agreed detail of bank reconciliations on the Current Account as at 30<sup>th</sup> June, 31<sup>st</sup> October, 31<sup>st</sup> December 2022 and March 2023, to the cashbooks and bank statements, noting that they are checked, verified, and signed off by the Finance Lead at least quarterly during the year. The reconciliation at 31<sup>st</sup> December 2022 included some items from the January ledger, and the value of these was handwritten onto the reconciliation, rather than included within the reconciliation.

### *Conclusions*

*We are pleased to record that no issues have been identified in this area at this stage of our review warranting formal comment or recommendation; we would however remind the Clerk that in the unusual event that there are reconciling items, these should be included in the body of the reconciliation.*

## Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation and processes in place, that Council meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are reasonably able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

We have examined the minutes of the Full Council meetings that have taken place during the course of the year to date to ensure that no significant issues affecting the Council's financial stability either in the short, medium or long term exist.

We are pleased to note that the Council's Financial Regulations (FRs) were re-adopted at the meeting in June 2022, with the SOs also re-adopted at the April 2022 Meeting.

We note that the external audit report for 2021-22 has been signed off with no issues.

## ***Conclusions***

***There are no issues arising in this area of our review warranting formal comment or recommendation currently: we will continue to monitor the Council's approach to governance at future visits, also continuing to review minutes of meetings over the remainder of the current financial year.***

## **Review of Expenditure & VAT**

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate controls are in place over the release of funds and that they accord with the adopted FRs;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and / or an acknowledgement of receipt, where no other form of invoice is available;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We selected a sample of processed invoices for the year to 31<sup>st</sup> March 2023 including all payments individually in excess of £200, together with a more random selection of every 15<sup>th</sup> cashbook transaction, irrespective of value: our test sample comprises 30 individual non-pay related payments totalling £25,355 and equating to 85% by value of all non-pay related payments to the above date.

We note that all invoices are stamped, initialled by the Clerk and two councillors providing clear evidence that members scrutinise invoices and other documentation supporting payments included on a "Payment List" also initialling these.

We discussed the online payment processing arrangements with the Clerk, confirming these from the information contained in the Councils Internal Controls Review of Adequate and Effective Systems Document, noting members direct involvement and consider the procedures in place appropriate for the Council's present requirements and which afford an appropriate level of financial control.

Analysis of the new debit card was included as part of our payment review.

Finally, in this review area, we have checked and verified the quarterly VAT returns for 2022-23 ensuring agreement with the underlying detail in the Alpha nominal control account.

## ***Conclusion***

***There are no issues arising in this area of our review warranting formal comment or recommendation:***

## **Review of Assessment and Management of Risk**

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified in order to minimise the opportunity for their coming to fruition.

We are pleased to note that members had received, considered, and formally re-affirmed the Financial and Management Risk Register at the June 2022 meeting and again at the February 2023 meeting. We have reviewed the Financial and Management Risk document and consider it appropriate for the Council's present requirements.

We have examined the year's insurance schedule with AXA running until 31<sup>st</sup> May 2023 noting that Public & Employer's Liability stand at £10 million respectively, together with Fidelity Guarantee cover at £500 thousand, each of which we consider appropriate for the Council's present requirements.

We note that the Council operates effective arrangements for the regular inspection of the playground: these are inspected weekly by the RPI qualified warden with a further quarterly inspection undertaken by an external contractor.

### ***Conclusion***

***There are no issues arising in this area of our review warranting formal comment or recommendation:***

## **Review of Precept Determination and Budget Control**

We aim in this area of our work to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the Borough Council; that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

We are pleased to note that, following due deliberation, the Council formally adopted the 2023-24 budget and precept at the January 2023 meeting, setting the latter at £37,759.15.

We are pleased to note that members receive regular budget monitoring reports through the year and have examined the year-end outturn with no unanticipated or unexplained variances existing warranting further enquiry.

We have considered the level of retained reserves at the financial year-end noting that they have decreased to £95,832 (£108,951 at 31<sup>st</sup> March '22), with EMRs now standing at £72,398 (£84,914 at prior year-end). The residual General Reserve balance of £23,434 (£24,037 as at 31<sup>st</sup> March 2022) equates to approximately 5 months expenditure at the 2022-23 level and is considered appropriate for the Council's ongoing revenue spending requirements.

### ***Conclusions***

*We are pleased to record that no issues have arisen from our work in this area warranting formal comment or recommendation.*

## **Review of Income**

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council from various sources, and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council. We note that, in addition to the Precept, the Council receives a grant from Dacorum Borough Council towards the cost of the Warden, investment interest, recovered VAT, and advertising in the Parish Magazine.

We note that the Council formally reviews advertising fees as part of the annual budget and precept setting exercise.

### **Conclusions**

*We are pleased to record that no issues have arisen from our work in this area warranting formal comment or recommendation.*

## **Petty Cash Account**

The Council does not operate a petty cash account.

## **Review of Staff Salaries**

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the LGPS.

The Council outsources production of its monthly payroll. We have examined the June 2022 payslip detail: -

- Ensuring that all staff gross pay for the month has been paid in accordance with the Clerk's record of individual's scale point and basic weekly working hours;
- Ensuring that tax and NI deductions / contributions have been calculated appropriately by reference to the relevant tax and NI tables;
- Ensuring that the correct percentage superannuation deductions have been applied where appropriate;
- Checking to ensure that, where overtime payments have been made, they are supported by appropriately certified time records and been paid at the appropriate enhanced hourly rate; and
- Verifying that the net salary payments for June 2022 have been made to staff appropriately and been recorded accurately in the accounting records.

## **Conclusion**

*We are pleased to record that no issues arise in this area warranting formal comment or recommendation.*

## **Asset Registers / Inventories**

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We are pleased to note compliance with this requirement and have examined the Council's register in order to ensure that it has been updated to reflect any new additions and / or disposals in the year.

Where possible the registration/serial number should be recorded on the register. We note that these are recorded in some, but not all cases.

For clarity we also suggest that, when assets are disposed of the register value for those assets is adjusted to NIL with the disposal date recorded.

We would also like the Council to consider the potential benefits of developing a photographic register of the assets held, particularly of potentially at-risk assets (benches, play equipment etc), which a number of our clients have found of assistance when pursuing either an insurance claim or in assisting any police enquiry where theft or wilful / accidental damage has occurred.

## **Conclusions**

*No issues of concern arise in this area of our review process, although, as indicated above we suggest that the asset register should be expanded to record registration/serial numbers along with photographic evidence of the asset.*

## **Review of Investments and Loans**

Our objectives here are to ensure that the Council is investing "surplus funds", be they held temporarily or on a longer term basis, in appropriate banking and investment institutions; that an appropriate investment policy is in place; that the Council is obtaining the best rate of return on any such investments made; that interest earned is brought to account correctly and appropriately in the accounting records and that any loan repayments due to or payable by the Council are transacted in accordance with the relevant loan agreements.

As indicated in the first section of this report, we have verified detail of the investments in the various accounts holding "surplus" funds to 31<sup>st</sup> March 2023.

We have checked and agreed the receipt and recording of interest and dividends arising on these deposits to the Alpha cashbooks in the Alpha software and supporting bank statements.

## **Conclusions**

*We are pleased to record that no issues arise in this area warranting formal comment or recommendation.*

## **Statement of Accounts and AGAR**

We have examined the detail of the values reported in the year's AGAR at Section 2 agreeing that detail to the underlying Rialtos Alpha financial records with no issues arising.

### ***Conclusions***

***There are no issues in this review area warranting formal comment or recommendation and ask that, once adopted by the Council, we be provided with copies of the certified Governance and Financial Statements in the year's AGAR in due course.***

***Based on the overall satisfactory conclusions drawn for our review work this year, we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.***



# Annual Internal Audit Report 2022/23

## NASH MILLS PARISH COUNCIL

<https://www.nashmillsparishcouncil.gov.uk> TABLE WEBSITE/WEBPAGE ADDRESS

During the financial year ended 31 March 2023, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2022/23 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.		N/A	✓
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic bank account reconciliations were properly carried out during the year.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2021/22 AGAR tick "not covered")		N/A	✓
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	✓		
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2022-23 AGAR period, were public rights in relation to the 2021-22 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).	✓		
N. The authority has complied with the publication requirements for 2021/22 AGAR (see AGAR Page 1 Guidance Notes).	✓		
<b>O. (For local councils only)</b> Trust funds (including charitable) – The council met its responsibilities as a trustee.		No	Not applicable ✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

17/01/2023 03/05/2023

Name of person who carried out the internal audit

Susan Cook for Auditing Solutions Ltd

Signature of person who carried out the internal audit



REQUIRED

Date

04/05/2023

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

\*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).