
Burnham Parish Council

Internal Audit Report: 2022-23 (Final)

Prepared by Susan Cook

*For and on behalf of
Auditing Solutions Ltd*

Detailed Report

Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. The Council remains a full Sage software user, with Current and Cash Handling accounts operated at Barclays Bank with separate cashbooks in the nominal ledger records. There is also currently one supplementary CCLA public sector deposit fund with interest continuing to be “rolled over” on a monthly basis. Consequently: -

- We have again verified that an appropriate nominal ledger structure remains in place;
- Verified that Councillors are undertaking a periodic scrutiny of the bank reconciliations;
- We have checked and agreed three sample months’ receipts and payments transactions (June 2022, September 2022 and March 2023) from both the Current and Cash Handling account cashbooks to relevant bank statements; and
- Finally, in this area we have checked and agreed the software-based bank reconciliations as at 30th June 2022, 30th September 2022 and 31st March 2023 on both accounts to ensure that there are no long-standing, uncleared items or other another anomalous entries arising.

Conclusions

We are pleased to report that no issues of concern have been identified from work completed in this area to date, noting that a non-signatory member has been appointed to and is undertaking a regular review of bank reconciliations.

Review of Corporate Governance

Our objective in this area is to ensure that the Council has a robust regulatory framework in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and Financial Regulations and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation.

- We note that the Council’s extant corporate documentation such as Standing Orders, Financial Regulations & Members’ Code of Conduct are subject to ongoing review and were most recently considered fit for purpose in May 2022. In line with our recommendation the Standing Orders have been revised to remove the 2012 Code of Conduct.
- We have completed our review of the Council’s minutes for the financial year reading those for meetings held to 31st March 2023 to ensure that there are no significant issues arising that might give rise to ultra vires expenditure or other forms of potentially unlawful activity, also that the Council is continuing to manage its resources

effectively and are pleased to record that no indications exist of potential problems with the Council's ongoing financial viability.

- We are pleased to note that the website is being updated with the latest Payment lists.
- We note that the external auditor has 'signed off' the 2021-22, and that the comments raised were discussed by Council at their meeting in October.

Conclusions

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

Review of Expenditure

Our objective here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- An official order has been raised for supply of goods and services on each occasion where one would be anticipated;
- 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 review of 46 payments processed to 31st March 2023 to check compliance with the above criteria, including all those individually in excess of £3,000 together with a further selection of every 30th cashbook transaction (irrespective of value) during the period. Our test sample totalled just over £168,489 and represented 66.8% of all non-pay expenditure incurred during the year to that date.

We are pleased to note that our recommendations from the 2021-22 have in the main been complied with, although we note that online payments do not have a payment reference provided.

We have reviewed and verified the accuracy of the VAT returns for the year noting that the VAT returns have been completed in a timely manner. The claim for the period ending 31st March 2023 for £9,112.29 was completed on 25th May 2023, we will check the claim has been paid at our next visit.

Conclusions

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

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; to monitor and manage those risks identified in order to minimise the opportunity for their coming to fruition.

Whilst the Council has a Risk Assessment register, the register does not identify the impact of the risk, nor the likelihood of the risk, although the severity of the risk is recorded. The risk assessment was not reviewed during the financial year, meaning the Council is unable to provide a positive response for Section One – Annual Governance Statement 2022-23, Assurance ‘5’, although we note that it was re-adopted in May 2023.

We have examined the current year’s insurance schedule with cover again provided by Zurich noting that Employer’s and Public Liability cover are in place at £10 million and £15 million respectively, together with Fidelity Guarantee cover at £1,000,000 and Loss of Revenue cover of £700,000 which we consider appropriate for the Council’s present needs.

Conclusions and recommendations

The risk assessment should be extended to identify the particular risks in each category, the impact of the risk on the council services and /or finances, along with the likelihood of the risk. As the Council did not review the risk assurance in year it is unable to provide a positive response for Section One – Annual Governance Statement 2022-23, Assurance ‘5’.

R1. The Council should review the risk assessment, identifying and extending the detail of the register to cover the particular risks to council services and / of finances. Also ensuring the risk assessment is reviewed annually, so that Council is able to provide a positive response for Assurance ‘5’ of Statement One – Annual Governance Statement.

Precept Determination and Budgetary Control

We aim in this review area 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 annual precept; 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.

The Council resolved to approve the precept at its meeting in December 2022, but the value of the precept was not recorded in the minutes in line with best practise.

We are pleased to note that members continue to receive budget monitoring reports through the year. The review of the AGAR Section 2 – Accounting Statements for 2022-23 was not easily reconciled, due to a number of invoices and income items being entered through the Balance Sheet earmarked reserve accounts, rather than through the P&L nominal account codes. The reconciliation involved has shown a difference in the carry forward figures from 2021-22, which has likely been caused by a similar error, requiring the 2021-22 accounts to be restated. A procedure to ensure that the correct entries are made was discussed with the Clerk and Finance Officer and will be reviewed at future visits.

Finally, in this area, we note the General Reserve balance of £144,974, which equates to approximately 2 1/2 months' revenue spending at the 2022-23 level which is slightly lower than the recommended three to six months guide for a Council of this size.

Conclusions

We are pleased to record that no issues warranting formal recommendation arise in this area, although the Clerk and Finance Officer should ensure correct procedures are followed in the allocation of income and expenditure through the P&L account codes to correctly record all income and expenditure, with amendments to the earmarked reserves made through the General reserve to ensure the integrity of the Balance sheet and ensuring the AGAR Accounting Statement is correct.

The value of the precept should be included in the minutes of the meeting.

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 its various sources, to ensure that it is invoiced in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council.

- The Council's scales of fees and charges appear to have been discussed at committee level, but not at Council.
- We are pleased to note that the Finance Officer is now regularly sending statements to debtors which has resulted in a reduction in the length of time taken to pay outstanding invoices.
- As noted earlier in this report, we have checked receipt transactions from cashbooks to relevant bank statements on both accounts for the year to 31st March 2023. It would be helpful if the date of receipt could be recorded on the supporting paperwork.

Conclusions

We are pleased to record that no issues have arisen in this area to date warranting formal comment or recommendation.

- Reviewed the Parish's payroll preparation procedures noting that the Council outsources the service;
- Checked and agreed detail of salaries, per the reports provided, paid to staff members in April and September 2022;
- Ensured that tax and NI deductions / contributions have been made applying the appropriate tax code and NI Table to the test month's salaries; and
- Ensured that the appropriate employee and employer contributions to the pension scheme have been determined for payment over to the Pension Fund Administrators.
- Ensured that the appropriate month's deductions and contributions have been paid over to HMRC and the County Pension Fund in a timely manner.

Conclusions

We are again pleased to record that no issues have arisen in this area to date warranting formal comment or recommendation. We will undertake further work in this area at our final review visit.

Asset Registers

The AGAR requires disclosure of the value of assets retained by the Council as at 31st March annually. The Practitioners Guide also require councils to develop and maintain a register of all assets.

We are pleased to note the existence of an appropriate register in spreadsheet format with the value of new additions as mentioned in the minutes included: the asset register being approved at the May 2022 meeting.

The information on the asset register is sparse noting only the location, general description of the item(s), cost and year of purchase. Ideally, in the fullness of time, it would be useful for the record to be extended to provide additional information such as serial numbers, insurance values and a photographic record of the assets.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

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 and that interest earned is brought to account correctly and appropriately in the accounting records.

Petty Cash and Credit Card Usage

We are required, as part of the Internal Audit Certification process in the Annual Governance and Accountability Return to assess and give a view on the effectiveness of control over any petty cash account in use by the Council.

- We previously noted that the Sage Balance Sheet recorded cash floats of £1,150, split into a £600 change float held in the bar safe, floats of £150 each for the two bar tills and the Reception till, the remaining £100 being used to fund petty cash expenditure, the account being operated on an “imprest” basis with periodic top-ups to replenish actual expenditure incurred. At the time of our last visit, we noted that the petty cash was being topped up by £100 each time, thus increasing the total cash float to £1,227.68.
- A handwritten petty cash register is maintained recording detail of individual payments, together with the reducing balance and detail of reimbursements received, We have tested a sample of transactions and checked the float, which was over by the sum of £2.85.
- The tills are checked daily by the General manager, we are pleased to note that following our recommendation, the Clerk now undertakes ad hoc checks; and
- We also note that a corporate Barclaycard charge card is in place, with a monthly credit limit of £2,000 settled by automatic monthly direct debit. The card is retained in the possession of the Administrative office and is used generally for emergency purposes or to take advantage of internet supplier deals. We have examined sample month’s transactions for June 2022 and March 2023 to ensure that each was appropriate for the Council’s activities and properly supported by suppliers’ invoices / till receipts.

Conclusions

The value of the petty cash float in the accounts should be reduced back to the £100.00 level. Councillors should consider whether there is a need for the office petty cash float, as there is a Barclaycard charge card in place.

R2. The petty cash float balance for the office should be reduced to £100 on the Sage accounts.

R3. Councillors should consider the necessity of the petty cash float for the office.

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 requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the local government pension scheme, as regards employee contribution bandings. To meet this objective, we have: -

We also aim to ensure that any loan repayments due to or payable by the Council are processed in accordance with the respective and relevant loan agreements.

- The Council has “invested” surplus funds in the CCLA Public Sector Deposit Fund with monthly dividends added to the account as advised to the Council routinely and we have verified the March 2023 balance sheet value to their third party statement.
- The Council has four loans in place repayable at half-yearly intervals to the PWLB and we have verified all payments made to March 2023 to their third party “demand” notices as part of our aforementioned payment testing with no issues identified; and
- The Council has an Investment Policy, which was updated during the year, but which does not detail the length of investments, nor the value that should be invested.

Conclusions

There are no matters arising in this area to warrant formal recommendation currently.

Statement of Accounts & AGAR

We are required as part of the internal audit reporting process to provide assurance to the external auditor that the detail recorded in the financial records has been prepared on the correct accounting basis (i.e., Income and Expenditure in the case of the Parish Council) and agrees to the cashbook with an adequate audit trail, together with the existence of appropriate arrangements for the identification and reporting of any year-end debtors and creditors due to or payable by the Council.

As noted earlier in this report, the opening balance did not agree to the closing figures on the 2021-22 AGAR return. Following discussion with the Finance Manager, the correct carry forward figures for 2021-22 have been inserted in the Section 2 Accounting Statement with a note that they are restated.

We have verified the detail in the 2022-23 year-end Sage Trial Balance to the detail in the Sage generated Profit and Loss Account and Balance Sheet for the financial year, ensuring the accurate transfer of detail to the year’s AGAR.

Conclusions

We can confirm that the figures for 2021/22 have been restated on the AGAR for 2022-23. Based on the generally satisfactory conclusions drawn from completion of our review programme for 2022-23, we have signed off the IA Certificate in the year’s AGAR with appropriate cross-references to this report.

Rec. No.	Recommendations	Response
Assessment and Management of Risk		
R1	The Council should review the risk assessment, identifying and extending the detail of the register to cover the particular risks to council services and / of finances. Also ensuring the risk assessment is reviewed annually, so that Council is able to provide a positive response for Assurance '5' of Statement One – Annual Governance Statement.	
Petty Cash and Credit Card Usage		
R2	The petty cash float balance for the office should be reduced to £100 on the Sage accounts.	
R3	Councillors should consider the necessity of the petty cash float for the office.	