FINAL

Internal audit report 2022/23

Visit 1 of 1

SOUTH MARSTON PARISH COUNCIL

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Introduction

This report contains a note of the audit recommendations made to South Marston Parish Council following the carrying out of internal audit testing on the 3rd May 2023.

The audit work has been carried out in accordance with Appendix 9 of the 2014 'Governance and Accountability for Local Councils: A Practitioners' Guide', as supplemented by the additional tests required by later AGARs.

An internal audit covers the review of the operation of the Council's internal control environment. It is not designed to review and give full assurance over every transaction carried out by the Council. Instead it enables the auditor, following the sample testing of a number of different types of transaction, to give an opinion as to whether or not the control objectives are being achieved across a range of financial and governance systems.

Audit Opinion

The internal audit for 2022/23 has now been completed in accordance with the provisions of the Practitioners' Guide and the CIPFA code of internal audit practice.

Based on the sample testing carried out, it would appear that the Council's current financial controls as reviewed are operating effectively.

Audit Recommendations

Recommendations made during the audit are shown on in appendix one to this report.

Recommendations are graded as follows:

Rating	Significance
High	Either a critical business risk is not being adequately addressed or there is substantial non-conformity with regulations and accepted standards.
Medium	Either a key business risk is not being adequately addressed or there is a degree of non-conformity with regulations and accepted standards.
Low	Either minor non-conformity with procedure or opportunity to improve working practices further.

The number of recommendations made at this audit visit and their priority are summarised in the following table:

Rating	Number
High	1
Medium	3
Low	3
Information	0
TOTAL	7

I would like to thank Kevin Morgan - Parish Clerk; Mandy Larcombe – Bookkeeper; and Cllr Sylvia Brown for their assistance during this audit.

Appendix 1 – Recommendations and Action Plan

Recommendation number	Detail	Priority (Low/ Medium/ High)	Management Response	Responsible Officer	Due Date
2.1 – Ensure all payments minuted for approval by Council	I checked a sample of payments in the cashbook to confirm that they were supported by invoices, authorised and minuted. I found that 12/14 samples were supported by invoices, with 1/14 supported by a bank statement (this is a bank charge where the bank does not issue separate fee notes), and 1/14 relating to the amount not paid on an invoice (effectively an agreed credit) which was evidenced by email correspondence. 13/14 were authorised by the Clerk (with the 1/14 relating to the email correspondence which was not separately authorised), but a quick flick through the working paper files indicates that this is a one-off. I noted that 13/14 were minuted for approval, with the bank charge not being included in the payments lists, and the credit card payments being shown as one total rather than split by supplier/£/supply. I recommend that the bank charges are shown on the payments lists, in order to ensure that all payments are properly minuted for approval by Council; and that the amounts paid under the 'credit card' heading are split by supplier in order to ensure that there is maximum transparency over	L	Agreed that we do not separately record the bank charges – we will do this from now on. We will list the separate suppliers within the credit card as part of the financial statement including in the agenda papers each month.	Clerk	From June 23

	how much has been paid to each supplier for goods or services provided to the Council.				
2.2 – Ensure credit note obtained to support VAT records	I checked to see that VAT on a sample of payments had been identified, recorded and reclaimed. I found that VAT had been correctly identified, recorded and reclaimed for 10/11 samples, but that the VAT on the amount not paid in relation to the installation of play equipment had been accounted for despite the fact that the Council does not have a copy of the physical credit note (which should have been prepared and issued by the supplier in order for their accounting systems to be correct). I recommend that a copy of the credit note is obtained in order to ensure that the Council has proper VAT invoices and credit notes in place to support its VAT returns.	M	Will ask the supplier for a credit note.	Clerk	Immediate
4.1 – Ensure precept value minuted	I checked to see that the Council had prepared an annual budget in support of its precept. I found that a budget had been prepared, and that the Council approved the budget at its meeting in January 2023, but that the value of the related precept was not noted in the budget. I recommend that the precept value is explicitly minuted (both at the next Council meeting for clarification, and at future budget meetings) in order to ensure that the amount demanded from taxpayers is clear.	H	Agree the value of precept that was approved was not clearly minuted. This will be minuted in May's meeting.	Clerk	May 23 Meeting

5.1 – Improve systems for evidencing receipt of grants, donations and other funding, and place s.106 funds in an earmarked reserve	During the year the Council received £50k in grants in relation to its provision of new play equipment. The Clerk noted during the testing that the Council was due to review how it evidences such receipts as it is due to receive large amounts of s.106 funding (which is ringfenced for a specific purpose and which must be repaid if not spent on that purpose or within the deadline). I recommend that the Council creates a database to record grants, donations and contributions and that evidence is retained to support the amount received, in order to improve the audit trail and reduce the risk of fraud and error. I also recommend that unspent s.106 funds are placed in an earmarked reserve in order to ensure that they are properly ring-fenced to guard against the funds being applied other than in accordance with the funding conditions.	M	We are now using a more thorough approach for the s106 funding received in year 2023-24 - and we will also include any donations or other additional income to allow better recording and logging. We confirm that the s106 funds are being held in earmarked reserves for the various categories they apply to.	Clerk	Ongoing
5.2 – Collect older debt	I checked to see that all income due to the Council is being collected. I found that the Council's aged debt profile had improved year on year, with only one outstanding balance under £100 at year end (which was over 120 days). The Clerk noted that this has been chased twice and discussed at the Council's Finance Working Group and a deadline for payment has been set. I recommend that the debt is collected as planned.	L	Debt is being chased.	Clerk/ML	June 23

7.1 – Ensure backpay is paid during the next payroll	I checked to see that salaries agreed with those approved by the Council. I found that Council agreed a pay award in 22/23 which was due to take effect in January 2023, but that, due to an oversight, the award was not processed during the 22/23 financial year. I recommend that the backpay due to staff is processed in the next payroll, in order to ensure that staff are paid in accordance with the amount approved by Council.	M	Back pay is being paid in the May salary process.	Clerk	May 23
7.2 – Confirm allowance is within HMRC limits	I checked to see that other payments to employees were reasonable, properly supported and approved by the Council. I found that both employees, who work from home, have been paid an allowance during the year. One employee has been granted a smaller allowance to reflect the fact that they work fewer hours, but there was no calculation to support the amount granted. There is a risk that not calculating an allowance e.g. with reference to the number of hours worked at home per week, may mean that the allowance paid is in excess of that allowed by HMRC, with any excess deemed taxable. I recommend that the Council checks to ensure that the allowances granted would be permitted as reasonable by HMRC such that none of the allowance would be taxable.	L	We researched the working from home allowance and there appears to be no minimum hourly requirement to allow payment of this allowance – just the requirement to work from home regularly. Therefore the actual amount paid (up to the maximum allowed of £312 yearly without any need for justification or additional record) appears to be at the discretion of employers.	Clerk	None