



## **SPROTBROUGH & CUSWORTH PARISH COUNCIL INTERNAL AUDIT FOR THE FINANCIAL YEAR 2022/23**

### **Background and Introduction**

All town and parish councils are required by statute to make arrangements for an independent internal audit and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR). The Parish Council has requested that Faye Hazlehurst t/a FH Accountancy Services provides this service, based on a letter of engagement agreed and signed by the Council. The audit is not designed to identify all significant weaknesses in the Council's systems but, if such weaknesses come to my notice during the course of the examination, which I think should be brought to your attention; I shall report them to you.

The responsibility for the prevention and detection of fraud, error and non-compliance with law or regulations rests with the Council. The audit should not be relied upon to disclose all material misstatements or frauds, errors or instances of non-compliance as might exist.

Faye Hazlehurst is a member of the Internal Audit Forum – an association of Internal Auditors for local councils which seeks to promote high quality internal audit.

### **Independence**

It is important that the auditor is independent of the Council and has no conflict of interest, in order that a truly professional audit is performed. I am not aware of any relationships that might constitute a threat to my independence.

### **Internal Audit Approach**

In accordance with the 'Accountability and Governance, Practitioners' Guide, March 2023', my work plan consisted of an investigation to review whether the systems of financial and other controls over the Council's activities and operating procedures are effective. Areas covered by the testing included;

- **Bookkeeping**
- **Due process**
- **Risk management arrangements**
- **Budgetary controls**
- **Payroll control**
- **Asset control**
- **Petty cash**
- **Bank reconciliation**
- **Year-end procedures**
- **Miscellaneous**



## **Findings**

The council elected to have two audits during the year, the interim audit was carried out at the Goldsmith Centre on 11 November 2022 and a report into the findings was provided to council. The end of year audit was carried out off site, all records and evidence were provided by the Clerk electronically. Further internal control testing was carried out and findings presented in this report, any audit recommendations have been agreed with the Clerk/RFO.

The following recommendations/points for the year ending 31 March 2023 should be addressed:

### **Proper Bookkeeping**

The cashbook is maintained, up to date and reconciled. The end of year figures failed to recognise the three petty cash transactions and closing balance on the petty cash account, this was highlighted to the RFO who amended and re-submitted. There was no evidence that internal controls have been reviewed during the year. It was difficult to ascertain whether the correct amount of VAT had been reclaimed during the year as figures were provided gross. VAT should be reclaimed quarterly, the first reclaim for the year 2022-23 was received at the end of November 2022. Ensure reclaims are done at the end of the quarter to maximise income for the council.

**Petty Cash is presented to the Council annually as there are very few transactions, window cleaner for the GC and occasionally stamps**

**Internal controls in place are that orders for work/goods are placed by either The Clerk or Deputy Clerk. Invoices for the work are received to either The Clerk or Deputy, after the work has been completed and then passed onto the RFO. Invoices are processed by the RFO and paid after the full Council meeting. Random invoices are then checked by Tony Rawlings to ensure they have been paid.**

**VAT is reclaimed quarterly, 4 claims were made in 2022 2023. The VAT claim is generated by the Sage Accounting programme that is used to monitor the Councils finances. All reports that are presented to Council and Auditors are produced using this programme.**

The council has general powers of competence, however S137 is still recorded separately and minuted.

### **Due Process**

The Council has adequate internal controls for payments, direct debit payments have been approved during the year. A named councillor is to carry out quarterly checks (members audit) of invoices and bank reconciliation, this was not carried out during the first six months of the year, this was checked again at the end of year audit and checks were carried out from October 2022 quarterly. Financial controls could be improved by implementing dual authority on bank payments or increasing members audit.



**This has now been addressed by the 'Monthly Finance Agenda' which will be implemented from June 2023. Tony Rawlings completes the quarterly checks.**

Model Financial regulations have been adopted and are properly tailored to the council. Model Standing Order have been adopted and reviewed during the year.

#### **Risk Assessment Arrangements**

As annual risk assessment was carried out and approved by Council in March 2023. The levels of insurance are sufficient for the size of the council. An annual insurance review took place in March 2022 when the council moved to a three-year agreement.

At the interim audit some minutes were still listed on the council's website as draft, these have now been corrected. There was no evidence of regular reporting and minuting of the bank balance to council.

**The Bank Balance will be stated on the Payment Schedule each month from June 2023**

#### **Budgetary controls**

The Council has prepared a budget in support of the precept and this was discussed and adopted by full council in December 2022, the budget was then discussed and amended in March 2023, with the precept demand being correctly minuted. Although I have answered 'yes' to control measure D, Budget v's spend reporting is very weak, the only evidence of this being reported to Council was November 2022, this should be carried out at least quarterly, council should ensure frequency is increased in the forthcoming year. The council has no earmarked reserves with general reserve levels at almost 12 months running costs, I recommend earmarking reserves for planned projects/maintenance and reviewing the earmarked reserves regularly.

**This has been addressed with the 'Monthly Finance Agenda' which will be implemented from June 2023**

**Reserved are earmarked on the budget which we state as 'Contingencies'**

**Major Repairs Premises**

**Bye-Elections**

**Staff Sickness Cover**

**Skate Park and New Lane**

#### **Payroll controls**

I was able to evidence a signed contract of employment at the interim audit, this had clear terms and conditions. The Council has approved salaries and minimum wage thresholds and pension obligations are being met. Any expenses paid to the Clerk are approved by council. The Council has grievance and disciplinary policies in place.

#### **Assets Control**

The Council maintains a register of assets owned or in its care, the register is up to date and



the value of assets and insurance valuations are included. Assets are assessed annually by an external company and weekly inspections are completed by site staff. There was no evidence that the health and safety issues are presented to council.

**Health and Safety issues are presented and discussed to the Council at the monthly meeting**

**Petty Cash**

The council holds petty cash this was used very little during the year, the petty cash was not included in the cash book but this was rectified and re-submitted. Ensure any expenditure is reported to council.

**Bank reconciliation**

Bank reconciliations are carried out monthly and reviewed by a member of the authority, quarterly from October 2022 onwards, there were no unexplained balancing entries on the bank reconciliations. The bank mandate was approved by Council in May 2022.

The council holds a debit card, the limit on the debit card is £500 with debit card expenditure being approved retrospectively. Debit card expenditure should only be used where other payment methods have been exhausted.

**Year-end procedures**

The accounts are prepared on the correct basis and there was an underlying financial trail from records to the presented accounts. Debtors and creditors have been properly recorded.

**Miscellaneous**

The council has no Freedom of Information policy in place, advise a policy is introduced in the forthcoming year.

**SCPC does have all the relevant policies in place and displayed on the Website**

Although I have answered 'yes' to control measure M (the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations), please note public rights should be 30 days. The council period for public rights for 21/22 was 31 days.

The requirements of the Accounts and Audit Regulations 2015 - Section 13 (2) (b) require Councils to display AGARs for the five years 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22 on their website. The AGAR's for 2017-18 and 2018-19 are not displayed, therefore I have been unable to answer 'yes' to control measure L.

**This has been queried and forwarded to the Internal Audit Forum – nowhere in any legislation or guidance does it state that AGAR's need to be published on the PC's website for the previous 5 years. However, the years 2017-2018 and 2018-2019 (which were before Zoe was employed**



by SCPC) are now on the website

### **Conclusion**

I am pleased to conclude that the Clerk/RFO has maintained a satisfactory standard of record keeping which has simplified the audit process. I have confidence that the figures lifted into the Statement of Accounts for the financial year ended 31st March 2023 are accurate.

All of the controls contained within the internal audit section of the AGAR were examined the following non-compliance was found.

- L. The authority published the required information on a website/webpage up to date the time of the internal audit in accordance with the relevant legislation.

Reporting matters to the council could be improved as highlighted in this report and there are other small areas of weakness but I am confident that these can be implemented during the forthcoming year.

I would like to thank Zoe for her assistance during the internal audit.

Faye Hazlehurst FMAAT  
Internal Auditor – 2 June 2023