

Internal Audit Report

(To be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Name of council:	Thundridge Parish Council		
Name of Internal Auditor:	Monika Duong	Date of report:	4/5/2023
Year ending:	31 March 2023	Internal Audit completed on 4/05/23	Initial meeting 21/04/23

Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council's control. Managing the council's internal controls should be a day-to-day function of the council through its staff and management and not left for internal audit. It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council in order to detect error or fraud. This report is based on the evidence made available to me and consequently the report is limited to those matters set out below.

The council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.

To the Chairman of the Council:

This audit has been undertaken 'remotely' as agreed with the Clerk, Colin Marks. I have utilised the Council's website to view necessary information as well as posed a list of questions to the Clerk via email for completion pre-meeting. We held a Zoom meeting on 21 April 2023 after which I requested further documents required for the completion of the internal audit to be emailed.

General

During the course of the audit, I examined the Council's arrangements for the management and control of its business in the areas of bookkeeping, due process (ie compliance with the proper practices as set out in the Practitioners' Guide), risk management, budget setting and monitoring, payroll, asset register, bank reconciliations, internal control and year-end procedures. I also sought evidence that the previous year's reports from Internal and External Auditors had been properly reported to the Council.

A. Appropriate accounting records have been kept throughout the Year.	YES
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Accounting records have been maintained throughout the period of review, with appropriate cashbook entries being recorded on excel spreadsheets. There was a small error identified in the December cash book, which was not part of the overall calculation and did not affect the year end figures .

As excel spreadsheets are used for accounting records the Council should note that these are extremely sensitive to human errors. They also require time to be spent on producing manual reports.

Minor errors in the future can result in significant problems.

To reduce the likelihood of human errors in accounting records I suggest for the Council to investigate and consider moving its records to computerised accounting system. Further advice on what sector specific accounting packages are available for Parish Councils can be obtained from HAPTC/SLCC or fellow Clerks.

B. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.	YES
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A sample of invoices was reviewed to ensure expenditure and VAT had been correctly accounted for, and that payment had been approved.

The Council reclaims its Vat annually using form VAT126.

The list of payments is being authorised by the Council at their monthly meetings.

As per Council's Financials Regulation the Clerk sets up payments , two appointed signatory councillors are to check and authorise.

Recommendation to the Council- the list of payments to be signed.

C. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	YES
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The risk register is being maintained by the Clerk and it was last reviewed by the Council at its meeting on 26/05/2022

D. The Precept or rates requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored; and reserves are appropriate.	YES
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The Annual precept and budget for 2022-23 was approved by Council on 25 January 2022 , Minute Ref: 22.006.4

Budget reports are produced on a monthly basis and are reported to Council.

Recommendation to the Council - the review of the performance against budget is to be Minuted.

Reserves balances are high , but as explained by the Clerk approx. £168,000 is being held for pavilion refurbishment (works to be done in summer 2023). It is also noted that the Council has not approved an annual investment strategy – I refer to paragraph 1.11 of The Practitioner Guide 2023 for further guidance .

As part of the annual budget process the Council should consider the level of General Reserves it holds and whether these are adequate.

In setting the level of its General Reserve the Council should have regard to the recommendation set out in paragraphs 5.33 and 5.34 of The Practitioner's Guide 2023, a copy of which has been provided with this report.

E. Expected income was fully received based on correct prices, properly recorded, and promptly banked; and VAT appropriately accounted for.	YES
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Income relates mostly to rental of rooms at the Pavilion and allotment rent.

No abnormality has been observed.

F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.	N/A
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The reason for the Not Covered response for Objective F is that I understand that your Council does not maintain any Petty Cash

G. Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.	YES
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The Clerk is a sole employee of the Council, and his salary is being administered by the external payroll provider.

H. Asset and investment registers were complete and accurate and properly maintained.	YES with number of observations made
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The Asset Register was obtained and reviewed. It was brought to my attention that a bench which was purchased in August 2021 for the amount of £726 was not included in 2021/22 figures .

The Council is to note that any reclassification of its assets will need to be applied to the Prior Year value stated on the Accounting Statements.

Recommendation - Going forward I also suggest for the Council to undertake review of its asset register as it is not clear what method of valuation is being used.

The Council should have regard to the recommendations of the Practitioner Guide March 2023 paragraph **5.64**. *For authorities covered by this guide, the most appropriate and commonly used method of fixed asset valuation for first registration on the asset register is at acquisition cost. This means that the recorded value of the asset will not change from year to year, unless it is materially enhanced.* **5.65**. *Commercial concepts of depreciation, impairment adjustments, and revaluation are not required nor appropriate for this method of asset valuation.*

I understand the difficulties in establishing the purchase costs of some of the Council's asset and I acknowledge the fact that the current Clerk is updating the asset register based on what was introduced by his predecessor.

I. Periodic bank reconciliations were carried out throughout the year.	YES
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There was evidence of regular reconciliation to bank statements and the year-end bank reconciliation had been completed accurately.

<p>J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.</p>	<p>YES</p>
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Year-end accounts had been prepared on a receipts and payments basis and were agreed with the cashbook and supporting bank statements and other records.

<p>K. If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.</p>	<p>N/A</p>
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The reason for the “Not Covered” response for Objective K is that it is not applicable to your Council as the Council did not certify itself exempt from limited assurance review in 2022/23.

<p>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</p>	<p>YES</p>
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In addition to the Transparency Code, which is not applicable to your Council as your ‘annual turnover’ exceeds £25,000 the ‘relevant legislation’ includes, but is not limited to, the Accounts and Audit Regulations 2015. It is noted that the wording of this section of the AGAR was recently changed and the guidance in the 2022 edition of the Practitioners Guide refers to the previous wording.

The requirements under 13(1)(a) of the above regulations remains unchanged therefore you must display the preceding years papers (2021/2022) on your website to be compliant.

I am pleased to confirm that Thundridge Parish Council complies with 13 (1) (a) the Accounts and Audit Regulations 2015.

However, I also refer the Council to paragraph 13(2) of these regulations. It specifies that documents identified in 13(1)(a) of the regulations must be ‘made available’ for a period of not less than five years.

I am pleased to confirm that Thundridge Parish Council complies with 13 (2) the Accounts and Audit Regulations 2015.

It has recently been asserted by the advisory group for internal auditors that ‘made available’ requires that the documents in question are published on the website.

This is potentially open to an alternative interpretation, and, at the current time, the matter has not been definitively resolved.

M. The authority has, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit regulations. The 30-working day period for the Exercise of Public Rights was set and minuted as Monday 27th June to Friday 5th August. Minute number 22.083.4.8	YES
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N. The authority complied with the publication requirements for the prior year AGAR.	YES
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O. Trust funds (including charitable) - the Council has met its responsibilities as a trustee.	N/A
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The reason for the Not Covered response for Objective O is that I understand that the Council does not act as a trustee.

Having tested all of the objectives of internal control as set out in Internal Audit section of the AGAR, through the examination of the evidence and discussions with Mr Colin Marks, I can confirm that none of the Observations raised during the course of audit will give rise to a Negative response in the year end Internal Audit Report and I have signed off the AGAR as required.

I would like to thank the Clerk, Mr Colin Marks for his assistance during the course of audit.

Yours sincerely,

Monika Duong
Internal Auditor to the Council
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