

# **Internal Audit Report 2022/23**

## **Uffington Parish Council**

### **1. Introduction**

As the Internal Auditor for Uffington Parish Council (UPC) I have independently carried out an examination of areas which meet the internal control objectives as listed on the Annual Governance and Accounts Return (AGAR) and best practices as outlined in the Practitioners' Guide 2023, issued by the Joint Panel on Accountability and Governance, applying to the financial year ending 31 March 2023.

The audit has been carried out using a risk assessment basis approach and examines the compliance of UPC with its relevant procedures and controls in operation through a review of the evidence of these controls and selected detailed sampling. The Annual Internal Audit Report on the AGAR was then completed.

### **2. Overall**

I have carried out an examination of the UPC records made available to me and have completed the AGAR's Internal Audit Report positively. Overall, the standard of administration and system of internal controls relating to the audit areas examined throughout the financial year was considered good, meeting the needs of UPC and complying with The Practitioners' Guide 2023. UPC's annual receipts and payments have not breached the £25,000 limit and therefore UPC will once again be exempt from a limited assurance review by external audit. The year-end balance of £30,146.88 was considered high and difficult to justify. I have noted that in the minutes for January 2023 UPC resolved not to claim a precept from Shropshire Council for the 2023/24 financial year. This is a good start in reducing the reserves to an acceptable level. However, efforts should be made to further reduce the reserves, possibly by ringfencing for a specific community project. NALC's The Good Councillor's Guide to Finance and Transparency states

*"A council should typically hold between 3- and 12-months expenditure as a general reserve. If the general reserve is too low then it may not be enough to cover unexpected expenditure or emergencies, whilst if the general reserve is too high then local electors have paid a tax which is not being used for the benefit of the local community."*

*Local councils have no legal powers to hold revenue reserves other than for reasonable working capital or for specifically earmarked purposes, therefore the year-end general reserve should not be significantly higher than the annual precept.*

*The council may have Earmarked Reserves for specific projects, where money is allocated for a specific purpose but may not be spent in that financial year. This may include reserves to purchase or renovate a building, develop a sports facility or community centre. The level of, and continued justification for, Earmarked Reserves should be reviewed by council on a regular basis, and not less than annually."*

Findings on pages 2-4 support the above statements and describe the detailed audit work performed.

A sample review of meeting minutes confirmed that UPC was quorate when it met and that decisions were clearly recorded. Reliance was placed on both hard copy documents and the website during the audit.

I would like to thank the Clerk for her diligence in presenting such well organised and meticulous records which have greatly assisted the internal audit process. Should you have any queries with this report please do not hesitate to contact me.

### **3. Internal Audit Detailed Findings**

Key Control Objective	Findings	Objective satisfactorily achieved
<b>A.</b> Appropriate accounting records have been properly kept throughout the year.	<p>The primary accounts record examined (01/04/22 to 31/03/23) i.e. the Excel receipts and payments ledger, was found to be comprehensive, accurate and complete providing a full audit trail to documents, council minutes, and payment type.</p> <p>The opening balance was agreed to the previous year's closing bank balance and detailed testing of a sample of transactions per the accounts confirmed its accuracy. (See B, E &amp; I.)</p>	Yes
<b>B.</b> The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<p>A sample of 20 payments were agreed between UPC minutes and accounting records. 15 were selected and satisfactorily traced to supporting invoices/receipts.</p> <p>VAT per the payments (input tax) was found to be appropriately accounted for within the accounts and Financial Regulations complied with.</p> <p>A VAT reclaim should be submitted as soon as possible.</p>	Yes
<b>C.</b> This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<p>A framework of policies and procedures was adopted by the Council in Nov 2021 (reviewed and re-adopted in May 2022 and annually thereafter) to mitigate against significant risks to achieving its objectives. These include:</p> <p>Complaints Procedure; Code of Conduct; Privacy Policy; Publication Scheme; Personal Data Management &amp; Audit Policy, Document and Record Retention Policy, Standing Orders and Financial Regulations. (The list is not exhaustive).</p> <p>UPC's Risk Assessment Schedule was last reviewed and adopted in May 2022. UPC holds insurance.</p>	Yes
<b>D.</b> The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	<p>A detailed budget monitoring report was prepared at half year and updated for the purposes of budget 2023/24 setting. As the volume of transactions is low this was considered satisfactory.</p> <p>Budget Setting – The Clerk/RFO presented an in-year Budget Monitoring report and Draft Budget for 2023/24, expected spend being in the region of £10,538. These were considered and Council resolved that no precept be claimed for 2023/24.</p> <p>Reserves – The year-end balance of £30,146.88 was considered to be too high. Given the budget set it was noted that the year-end balance is 3 times greater than that of the precept. However, no precept will be claimed for 2023/24 which will start reducing the balance.</p> <p>The expected balance as at 31/03/24 is £22,474 per the 2023/24 budget report, with no expected spend on community projects. Even given the year without claiming a precept there remains a need to identify future community projects to justify holding this level of reserves. If no projects are identified during the next financial year Council should consider a second year (2024/25) without claiming a precept, or claim a reduced precept for that year, so as to avoid holding taxpayers funds without valid reason.</p>	Yes. However, reserves are considered to be too high with no ringfenced reserves.

<b>E.</b> Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.	A precept receipt of £10,089 was agreed to Shropshire Council remittance and the DLUHC Precept Database <a href="#">Council Tax Statistics for Town and Parish Councils 2022-23</a> . Other income relating to a Neighbourhood Fund (CIL) payment by Shropshire Council was successfully traced to the bank statements.	<b>Yes</b>
<b>F.</b> Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	The Clerk confirmed none held. Therefore, the objective has been met.	<b>Yes</b>
<b>G.</b> Salaries to employees and allowances to members were paid in accordance with the authority's approvals and PAYE and NI requirements properly applied.	All pay calculations are processed by an independent payroll company which provides monthly payslips and HMRC reports on which payments to employees and HMRC are based and approved by UPC.  Using the year-end reports provided, I am in agreement that overall payroll costs shown in the accounts are accurate.  Throughout the year payments have been fully supported including that relating to a payment of arrears due to 22/23 pay rates being agreed by NJC. The Clerk's P60 has been agreed to the accounts. No allowances have been paid to members.	<b>Yes</b>
<b>H.</b> Asset and investment registers were complete and accurate and properly maintained.  This section/assurance should be extended to include loans to or by the authority.	The Asset Register has been updated to reflect purchases and disposals. Assets are valued as per JPAG guidance. No investment register is required.	<b>Yes</b>
<b>I.</b> Periodic bank reconciliations were properly carried out during the year.	The minutes cited evidence of regular bank reconciliations being reported to council by the Clerk/RFO, and having been checked by a councillor. Hard copy reconciliations and supporting paperwork have been signed to this effect by a councillor and the Clerk. The year-end bank reconciliation as at 31/03/2023 was re-performed by the auditor and found to be accurate.	<b>Yes</b>
<b>J.</b> 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.	The half year accounting statement prepared during the year corresponds with the cash book and has been prepared accurately on a receipts and payments basis.  The 2022/23 AGAR and year-end accounting statement has been prepared accurately on a receipts and payments basis, agrees with the cash book, fixed assets and bank reconciliation. Sample testing supported the accuracy of the audit trail to underlying records. (See B & E above).	<b>Yes</b>
<b>K.</b> 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..	Council resolved to approve the 2021/22 Certificate of Exemption from external audit at its May 2022 meeting as neither receipts nor payments for the year exceeded £25,000. The certificate was found on the website. (Website examined 16/04/23).	<b>N/A</b>

<b>L.</b> The authority publishes information on a free to access website/web page, up to date at the time of the internal audit in accordance with any relevant transparency code requirements.	The Parish Council's website was found to be both informative and meets transparency requirements. A year-end Statement of Accounts for the year had been published. (Examined 16/04/23).	<b>Yes</b>
<b>M.</b> The authority, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.	The appropriate Notice for the Exercise of Public Rights and many financial documents including a Statement of Accounts associated with the year were found on the Council's website (Examined 16/04/23)	<b>Yes</b>
<b>N.</b> The authority complied with the publication requirements for the prior year AGAR.	All relevant documentation was found on the Council's website. (Examined 16/04/23).	<b>Yes</b>
<b>O.</b> Trust funds (including charitable) – the Council has met its responsibilities as a trustee.	The Clerk/RFO confirmed that the Council is not a trustee of a Trust Fund/Charity.	<b>N/A</b>