

## **Upton Scudamore Parish Council**

*Internal Audit Report 2022-2023*

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Consultant Auditor*

*For and on behalf of  
Auditing Solutions Ltd*

## **Background**

**Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the AGAR.**

This report sets out the work undertaken in relation to the 2022-23 financial year. We have undertaken our review for the year remotely: we wish to thank the Clerk in assisting the process, providing all necessary additional documentation in electronic format to facilitate completion of our review for the year and sign off of the Internal Audit Certificate in the year's AGAR. We have still undertaken sufficient transaction testing to offer a valid opinion as to whether governance and financial controls remain effective.

## **Internal Audit Approach**

In undertaking our review for the year, we have had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover has been designed to afford appropriate assurance that the Council's financial systems are robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'Internal Audit Report' as part of the Council's AGAR process: this requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

We have concluded that, on the basis of the satisfactory conclusion of our annual programme of work, the Council has continued to maintain adequate and effective internal control arrangements. Our only concern relates to the lack of a prudent General Reserve, which we feel is contrary to Objective D that we are required to give an opinion on in our AGAR Internal Audit Report. We have also made some observations throughout this report that we would invite the Council to consider.

We wish to thank the Clerk for the very clear way transactions are recorded and for her assistance in providing all necessary documentation for our review so promptly at the financial year-end.

Consequently, we have completed and signed the year's 'Internal Audit Report', having concluded that, in all significant respects, the control objectives set out in the Report have been achieved throughout the financial year to a standard adequate to meet the needs of the Council, with the exception of a prudent General Reserve referred to above. This issue, however, does not affect the Governance assurances that the Council is required to give in Section 1 of the AGAR.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

The Clerk maintains the Council's accounting records in spreadsheet format, which is perfectly adequate in view of the small number of annual transactions: we are also pleased to note the use of appropriate columnar analysis to assist in budget monitoring and production of information for inclusion in the Council's AGAR.

Two bank accounts are currently in operation with HSBC. We have verified the spreadsheet detail for the full financial year to both Current and Deposit bank account statements, also verifying the accuracy of the brought forward balances as at 1 April 2022 to the prior year closing balances. Finally, in this area, we have checked and verified the bank reconciliation as at 31 March 2023 and ensured the accurate disclosure of the year-end balance in the AGAR at Section 2, Box 8.

### *Conclusions*

*There are no issues arising in this area of our review warranting formal comment or recommendation.*

## Review of Corporate Governance

Our objective is to ensure that the Council has a robust regulatory framework in place; that Council meetings are conducted in accordance with the adopted Standing Orders and that no actions of a potentially unlawful nature have been or are being considered for implementation.

We are pleased to note that the Council formally revised its Standing Orders (SOs) and Financial Regulations (FRs) based upon NALC model documents and adopted these at the May 2022 meeting of the Full Council. We are also pleased to note, further to our observation last year, that the tendering limits in both documents have been revised to £5,000 to make them more applicable to the size and activities of the Council.

We have examined the Council Minutes for the year to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability, also ensuring that, as far as we may be reasonably expected to ascertain, no actions / decisions of an unlawful nature have occurred or may be being considered.

We note that the Council continues to maintain on its website a good level of documentation in accordance with the Transparency Code.

Finally, we are pleased to record that the Exercise of Public Rights with regard to the 2021-22 Accounts was properly published in accordance with the Accounts and Audit Regulations.

### *Conclusions*

*There are no issues arising in this area of our review warranting formal comment or recommendation.*

## Review of Payments

We have reviewed a sample of payments made during the year to ensure that the following criteria were met:

- Payments were supported by a trade invoice or acknowledgement of receipt;
- VAT has been calculated correctly. Reclaims are submitted to HMRC on an annual basis, given the relatively small sum involved. This takes place in the following financial year;
- The Council approve all payments due at each meeting;
- Payments have been correctly analysed in preparation of the year-end Statement of Accounts; and,
- Section 137 payments have been identified in the cashbook and are within the Council's spending limit.

We note from our testing some instances where approved purchases have been made by the Clerk. In general, we are concerned that people are expected to commit their own funds and seek reimbursement. Other Councils maintain a Debit or Credit Card for such purposes, linked to the Bank Account for prompt (interest-free) payment, and with suitable controls detailed in Financial Regulations.

### *Conclusions*

*There are no issues arising in this area of our review warranting formal comment or recommendation, other than our observation concerning purchases made by the Clerk.*

## Assessment and Management of Risk

We note that the Council considered and re-adopted its Risk Register at its May 2022 meeting, which meets the requirements of Financial Regulations.

The Council is currently insured with Zurich up to 31 May 2023, when the Long Term Agreement terminates. We have reviewed the content of the 2022-23 insurance schedule and consider that it is appropriate for the Council's current needs with Employer's Liability in place at £10 million, Public Liability of £12 million, and sufficient cover for identified Assets.

### *Conclusions*

*There are no issues arising in this area of our review warranting formal comment or recommendation.*

## Budgetary Control and Reserves

The Council's Minutes, together with the supporting papers, indicate that Councillors have undertaken a robust Budget setting and Precept determination process and have approved the 2023-24 budget and Precept, setting the latter at £7,000 at the November 2022 meeting of the Full Council.

We note that members are routinely provided with budgetary performance information at each Council meeting, together with bank reconciliation detail.

At the November 2022 meeting the Council set Earmarked Reserves (EMR's) totalling £4,050, mainly relating to a bus shelter although we also note discussion about Election costs which Wiltshire Council will no longer be covering. The level of EMR's, when compared to the closing cash balance at 31 March 2023 of £4,219, means that the Council has no effective General Reserve to cover unforeseen issues and budgetary pressures in a time of high inflation. Best Practice indicates that the General Reserve should be around 50% of the Precept, ie. £3,500. This requires us to give a negative assurance against Objective D of our AGAR Internal Audit report, as we do not believe reserves are appropriate or prudent.

While acknowledging that small Councils have limited ability to flex their income, we recommend that this be addressed by small increases to the Precept over a few years.

### ***Conclusions and Recommendations***

***R1. The Council should establish a prudent General Reserve over the medium term.***

## **Review of Income**

The Council receives, in addition to the annual precept, limited income from bank interest, occasional grants and donations and recoverable VAT. We have checked and agreed detail of all income recorded in the cashbook to supporting bank statements and other available documentation for the financial year with no issues arising.

### ***Conclusions***

***There are no issues arising in this area of our review warranting formal comment or recommendation.***

## **Petty Cash Account**

***The Council does not operate any form of petty cash account. Therefore there are no issues arising in this area of our review warranting formal comment or recommendation.***

## **Salaries and Wages**

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HMRC legislation relating to the deduction and payment over of income tax and NI contributions, noting that the Clerk, who is the sole employee of the council, has opted out of the Council's pension scheme.

The Clerk continues to prepare the payroll using the HMRC bespoke Basic PAYE Tools software: we have test-checked salary records ensuring that the appropriate tax allowances have been applied.

We also note that the most recent NJC pay award has been processed within the financial year, following approval by Council at its February 2023 meeting.

### ***Conclusions***

*There are no issues arising in this area of our review warranting formal comment or recommendation.*

## **Asset Register**

The Council continues to maintain and review a comprehensive Asset Register that meets the requirements of Financial Regulations. This was most recently approved in May 2022, with a condition inspection undertaken in February 2023. All identified assets are properly valued at either original cost price or a nominal £1 in accordance with Government Accounting requirements.

### ***Conclusions***

*There are no issues arising in this area of our review warranting formal comment or recommendation.*

## **Investments and Loans**

*The Council has no funds in investments, with all cash balances held in the Council's bank accounts. No loans are in existence either repayable by or to the Council.*

## **Statement of Accounts and AGAR**

We have reviewed the content of the financial data reported at Section 2 of the year's AGAR agreeing it to the underlying financial records.

### ***Conclusions***

*There are no issues arising in this area of our review warranting formal comment or recommendation.*

# Action Plan

Rec. No.	Recommendation	Response
<b>Budgetary Control and Reserves</b>		
R1	The Council should establish a prudent General Reserve over the medium term.	