

# **North Tuddenham Parish Council**

Internal Audit Report

Financial Year 2022-23

Prepared by Lorraine Trueman, 7 June 2023

I have completed an internal audit of the accounts for North Tuddenham Council for the year ending 31 March 2023. My findings are detailed below using the tests provided in the Governance and Accountability (England) 2021.

I would like to thank the Clerk for providing me with the information available for the Internal Audit.

| Internal control   | Test  | Observations  |
|--|---|---|
| Proper bookkeeping   | Is the cashbook maintained and up to date?  | Cashbook on website includes transaction from April 2023  |
|  | Is the cashbook arithmetically correct?   | Yes   |
|  | Is the cashbook regularly balanced?   | Minutes record bank statement balances, receipts and payments but it is not clear if the cashbook is balanced or shared |
|  | If bank balances are in excess of £100,000 is there an appropriate investment strategy?   | n/a   |
| Standing Orders, Financial Regulations and payment controls  | Has the Council formally adopted Standing Orders and Financial Regulations?   | Yes amended/reviewed in July 2022   |
|  | Date Standing Orders last reviewed. Is this based on the latest version of Standing Orders?   | July 2022   |
|  | Date Financial Regulations last reviewed. Is this based on the latest version of Financial Regulations?                               | July 2022   |
|  | Has a Responsible Financial Officer been appointed with specific duties?  | Yes, this is a councillor   |
|  | Have items or services above the de minimus amount been competitively purchased?  | Yes   |
|  | Are payments in the cashbook supported by purchase orders, invoices, authorised and minuted?  | No invoices supplied. Payments are approved at the meeting  |
|  | Is there effective segregation between the writing of cheques or the setting up of online payments, and physical release of payments? | Yes   |
| Has VAT on payments been identified, recorded and reclaimed? | The minutes do not show a VAT reclaim. No column for VAT in cashbook  |   |

| Internal control             | Test   | Observations  |
|------------------------------|--|---|
|                              | If debit/credit cards are in use, what are the total monthly and individual transaction limits?<br>Are there appropriate controls over physical security and usage of the cards?               | n/a   |
|                              | Is s137 expenditure separately recorded and within statutory limits?   | No S137 column in cashbook  |
|                              | Have s137 payments been approved and included in the minutes as such?  | No S137 expenditure records in the minutes  |
| Risk management arrangements | Does a review of the minutes identify any unusual financial activity?  | No  |
|                              | Do minutes record the Council carrying out an annual risk assessment or review of their risk management scheme?  | Yes   |
|                              | Are appropriate arrangements in place, for example, for monitoring play areas, open spaces and sports pitches?   | n/a   |
|                              | Is insurance cover appropriate and adequate for land, buildings, public, employers' and hirers' liability, fidelity/employee/councillors' liability, business interruption and cyber security? | Not all assets are listed on the policy.<br>Public and employers liability insurance in place |
|                              | Are internal financial controls documented and regularly reviewed?   | Yes   |
| Budgetary controls           | Has the Council prepared an annual budget in support of its precept and has this been minuted at a Full Council meeting as being approved?   | Yes   |
|                              | Has the precept been calculated from the budget and been approved?   | Yes   |
|                              | Does the budget include an actual completed year?  | Yes, 21/22 actual   |
|                              | Is actual expenditure against budget regularly reported to the Council?  | No  |
|                              | Are there any significant unexplained variances from budget?   | Figures not provided  |
|                              | Has the Council considered the establishment of specific earmarked reserves and reviewed them?   | Yes   |

| Internal control      | Test   | Observations  |
|-----------------------|--|---|
| Income controls       | Is income properly recorded and promptly banked?   | Income is minuted and recorded in the cashbook            |
|                       | Does the precept recorded agree to the Council Tax authority's notification?   | Precept received agreed with budget                       |
| Petty cash procedures | Is all petty cash spent recorded and supported by VAT invoices/receipts?   | n/a   |
|                       | Is petty cash expenditure reported to each Council meeting?  | n/a   |
|                       | Is petty cash reimbursement carried out regularly?   | n/a   |
| Payroll controls      | Do all employees have contracts of employment with clear terms and conditions?   | Yes   |
|                       | Do salaries paid agree with those approved by the Council?   | Not provided  |
|                       | Are salaries above the National Living Wage/Minimum Wage?  | Not provided  |
|                       | Are other payments to employees reasonable and approved by the Council?  | Not provided  |
|                       | Have PAYE/NIC been properly operated by the Council as an employer?  | Not provided  |
| Asset controls        | Does the Council maintain a register of all material assets owned or in its care?  | Yes   |
|                       | Is the assets register up to date? When was this last reviewed? Are additions and disposals in-year clear?   | Last review March 2023. There were no additions/disposals |
|                       | Do asset insurance valuations agree with those in the asset register?  | Not provided  |
|                       | Does the asset value to be reported in the AGAR (section 2, Box 9) equate to the prior year reported value, adjusted for the nominal value of any new acquisitions and/or disposals? | Not provided  |
|                       | Are all long-term investments (i.e. over 12 months) covered by an investment strategy?   | Not known   |
|                       | If a loan has been taken out, are repayments reported to the Council?  | Not known   |

| Internal control  | Test   | Observations  |
|---|--|---|
|   | If the Council issued a loan to a local body, are there signed indemnities from the recipient body, or their members, agreeing to underwrite the loan debt?                      |   |
| Bank reconciliation   | Is there a bank reconciliation for each account and is this regularly reported to Council?   | No bank reconciliations provided  |
|   | Are there any unexplained balancing entries in any reconciliation?   | No bank reconciliations provided  |
|   | Is the value of investments held summarised on the reconciliation?   | No bank reconciliations provided  |
| Year-end procedures   | Are year-end accounts prepared using the correct accounting basis (Receipts and Payments or Income and Expenditure)?   | No figures shared   |
|   | Do accounts agree with the cashbook?   | Figures not provided  |
|   | Has a year-end bank reconciliation been undertaken?  | Not shared but the current account does reconcile to the cashbook, using bank balances from the minutes |
|   | Is there an audit trail from underlying financial records to the accounts?   | Not seen  |
|   | Where appropriate, have debtors and creditors been properly recorded?  | Not known   |
| Procedural  | Is eligibility for the General Power of Competence properly evidenced?   | n/a   |
|   | Have points raised on the last Internal Audit report been considered by Council and actioned?  | Yes   |
|   | Has the Council demonstrated that during the previous financial year it correctly provided for the exercise of public rights, as required by the Accounts and Audit Regulations? | Yes   |
| Exemption from external audit:<br>Only for smaller councils with receipts and | If the Council certified itself as exempt in the prior year, did it meet the exemption criteria and declare itself exempt?   | Yes   |

| Internal control  | Test   | Observations                                       |
|---|--|--|
| payments each totalling less than £25,000   |  |  |
| Adherence to the Transparency Code: Only for smaller councils with receipts and payments each totalling less than £25,000 | Minutes for whole year on website?   | Yes  |
|   | Agendas for whole year on website?   | No agendas listed on agenda page of website        |
|   | Payments over £100 detailed on website?  | Yes  |
|   | Electors' rights advertised on website?  | Yes  |
|   | Councillors' responsibilities detailed on website?   | Yes  |
|   | Last financial year's AGAR on website?   | Yes  |
|   | Land and building assets details on website? (Description, location, owner/leaseholder, date and cost of acquisition and present use)  | Yes  |
| Leases and other income streams   | Are leases reviewed in a timely manner in accordance with the terms of the lease and rents similarly reviewed appropriately at the due time? Is there an audit trail from invoicing to receipt of income/chasing of debtors? | Recycling income has been received again this year |
| Councils with charities only  | Have Charities reported and accounted separately?  | n/a  |
|   | Have the Charity accounts been independently audited?  | n/a  |
|   | Have the Charity accounts and Annual Return been filed within the legal time limit?  | n/a  |
| General Data Protection Regulation (compliance from 25 May 2018)  | Has the Council carried out an information audit?  | No   |
|   | Has the Council put in place a privacy notice and policy?  | Link on website isn't working                      |

| Internal control   | Test  | Observations   |
|--|---|----------------|
| Website accessibility (relates to the Public Sector Bodies (Websites and Mobile Applications) Accessibility Regulations 2018 | It is a legal requirement for councils to publish a website accessibility statement on its website. Has the Council published this statement? | Yes            |
|  | Has the Council updated and reviewed its statement?   | Due for review |

### Summary of my recommendations

The asset register includes more than listed in the insurance policy, i.e., another defibrillator and SAM2 sign. I recommend these are added to the policy.

Check supplier invoices for any reclaimable VAT and adjust the cashbook, if required.

Add a VAT and S137 column to the cashbook to make it clearer if any of these costs have been incurred.

Minute or publish bi-monthly bank reconciliations, a proforma is available on the PKF Littlejohn website.

You should be using receipts and payments accounting method so April 2023 transaction should be in 2023-24. Remove this from 2022-23 cashbook and add to 2023-24.