



## **KILLAMARSH 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 internal audit was carried out off site after a face to face meeting with the Clerk/RFO, all records and evidence were provided by the Clerk either electronically or in paper format. Detailed 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 was up to date and arithmetically correct, a review of internal controls and their effectiveness took place in December 2022. VAT has been reclaimed quarterly and payments selected for sampling were supported by an invoice, authorised and minuted.

S137 has been recorded separately and is within limits.

### **Due Process**

The Council has adequate internal controls for payments, direct debit payments were not approved during the year but the Clerk advises that these are to be presented before Council for approval in June 2023. 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 Council should consider looking at the levels of business interruption cover to ensure cover is appropriate for their size. There was no evidence of an annual insurance review and inconsistencies with minutes being signed overall and each page minuted. From July onwards, I was able to evidence regular reporting and minuting of the bank balance via the bank reconciliation presented to council.

### **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. Ensure the value of the precept agreed is minuted. Budget against spends was evidenced once in the first six months and then each quarter. Reserves are earmarked and have been reviewed and are within the level for proper practice.

### **Payroll controls**

I was able to evidence the signed contract of employment for the Clerk, 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 is currently reviewing the grievance and disciplinary policies.



### **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 are included. There were two additions during the year, these were incorrectly added at gross cost, discussed this with the Clerk who amended the register and resubmitted. I recommend insurance valuations are also included on the register.

### **Petty Cash**

The council holds petty cash but this was not utilised during the year, an adjustment was made by the new Clerk to bring the closing imprest to £150.

### **Bank reconciliation**

From July onwards bank reconciliations were carried out monthly and reviewed by members of the authority, there were no unexplained balancing entries. The bank mandate was approved by Council in January 2023 and will be amended again in June 2023.

### **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 undertaken a good review of policies during 2023, there are still some policies in need of updating in the forthcoming year. There are adequate measures in place for back up and storage of files. The Council has no outstanding loans.

The Council hold a lot of funds with one bank, namely Unity Trust bank. The value of these funds held at 31 March 2023 greatly exceeds the £85,000 that would be covered under the Financial Services Compensation Scheme (FSCS). The item is included on the Council's risk register, as a priority the Council should look to distribute funds to other providers to lower the risk.

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 for 2017-18 has section 1 of the return missing and 2020/21 has section 3 of the return missing, therefore I have been unable to answer 'yes' to control measure L.

### **Allotments**

The fees charged for allotments are in accordance with approved rates and I was able to evidence a signed tenancy agreement. Up to date occupancy details are kept securely. Income received, spans two financial years, the income for allotments will be checked in more detail during 2023-24.



## **Conclusion**

I am pleased to conclude that the new Clerk/RFO has maintained a good 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.

The Clerk/RFO is relatively new to the Council and it is clear to see the improvement made during her short time, there are still some policies in need of review and some small areas of weakness highlighted in this report but I am confident that these can be implemented during the forthcoming year.

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

Faye Hazlehurst FMAAT  
Internal Auditor – 22 May 2023