

# *Public Sector Audit*

## Winterringham Parish Council

### *Internal Audit Report for the year ended 31 March 2023*

*Public Sector Audit*

**UK©CS**

Registered with  
UK Copyright Service  
Reg. No.: 284714616

# *Public Sector Audit*

## Winteringham Parish Council

### **Internal Audit Report for the year ended 31 March 2023**

#### Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils to “undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2023. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

*Public Sector Audit*

**UKCS**

Registered with  
UK Copyright Service  
Reg. No.: 284714616

## Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted: Page | 3

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

### Distribution List

Chairman of the Council

All Members of the Council

Clerk to the Council

*Public Sector Audit*

**UKCS**

Registered with  
UK Copyright Service  
Reg. No.: 284714616

The findings of the audit are summarised below

	Test	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p><b>Findings</b></p> <p>The cash book is maintained on spreadsheets on a receipts and payments basis and is arithmetically correct. Separate monthly spreadsheets are consolidated into a final year-end summary for year-end purposes.</p> <p>It is comprehensively analysed for the purpose of completing the Annual Governance and Accountability Return (AGAR).</p> <p>The construction of the cash book is, however, unnecessarily complicated owing to the separation of each month's transaction and then adding the monthly totals to populate the full year's consolidation spreadsheet. Also, the interest received into the Reserve Account has been double accounted which has caused balancing issues.</p> <p>A year-end bank reconciliation and monthly reconciliations, with the exception of November 2022 and February 2023, have been performed; all reconciliations have been presented to each meeting of the council.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The cash book should be reconstructed to simply have a single spreadsheet that runs throughout the year and includes transactions for both bank accounts.</li> </ul>
2	Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p><b>Findings</b></p> <p>The council's Standing orders and Financial Regulations were approved by council on the 10th May 2022.</p> <p>The Standing orders submitted to audit are not, however, the latest Model and Financial Regulations also require updating to reflect current legislation.</p>

		<p>NALC released an updated version of Standing Orders in April 2022, which includes revised wording in respect of the Government's procurement thresholds.</p> <p>On the 21st December 2022, the Government increased the £25,000 threshold, under the Public Contracts Regulations, to £30,000. This change needs to be reflected in both the council's Standing Orders (18.c) and Financial Regulations (11.b). It is noted that the footer to Financial Regulation 11.b refers to the Contract Finder Regulations, but the revised threshold is not recorded for clarity and transparency purposes.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The council should update its Standing Orders to the latest NALC Model and its current Financial Regulations to reflect the latest legislation.</li> </ul>
3	<p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p><b>Findings</b></p> <p>I have reviewed and checked a large sample of expenditure during the year. All payments were appropriate and, for the sample checked, have been agreed to the payment schedules which are included in the minutes presented to council.</p> <p>I have reviewed and agreed the payments for occurrence, completeness, accuracy, correct year of account, compliance with Financial Regulations and classification within the council's accounts. Quotations for work during the year were requested as part of the audit documentation required; this was not, however, forwarded to audit.</p> <ul style="list-style-type: none"> <li>➤ I am required by the External Auditor to confirm on the Audit Certificate that, "<i>This authority complied with its financial regulations</i>" and in the absence of documentary evidence I am unable to do so.</li> </ul> <p>I have also checked that VAT has been correctly identified and recorded in the council's accounts for reclaim from HMRC purposes.</p>

- It is noted that payments to the council's Handyman include the reimbursement of sundry expenses, including petrol. Receipts in support of the expenses are not always attached to the Handyman's invoice, however, and the council is unable, therefore, to validate the reimbursement and cannot reclaim the VAT element of these expenses.
- The documentation provided to audit in support of the donation to the Village Hall, in respect of the Jubilee afternoon tea, is comprehensive and clearly supports the net payment made.
- A reimbursement in March 2023, for a charging cable for the Clerk's mobile phone, has been analysed in the cash book excluding VAT. The supplier's VAT registration number is shown on the till receipt and does, therefore, constitute a "VAT invoice" under HMRC's simplified invoice rules for payments up to £250.
- I have noted that the council has incurred expenditure for the Village Hall in respect of a planning fee. As this is, in effect, a payment on behalf of a registered charity and, as the council has no other statutory power to make such "donations", it should be analysed as a s.137 payment in the cash book.
- Payments to the council's payroll provider in February and March 2023 have been included in the staff cost column in the cash book and hence included in box 4, staff costs, in the year-end Accounting Statements.

A revised Governance and Accountability Guide was issued by the National Joint Panel several years ago. In accordance with the revised instructions for Town and Parish Councils the allocation of payroll provider costs should be analysed as office costs in the cash book, and hence included in box 6, all other payments, on the year-end Accounting Statements.

- For clarification purposes, the NALC/SLCC Joint Practitioners Governance and Accountability Practitioners Guide states:
  - *"Staff costs for the purpose of Line 4 include gross salary of employees, employers' national insurance contributions, employers' pension contributions, gratuities for employees or former employees and severance or termination payments to employees. The following are not staff costs for the purpose of Line 4; mileage and other travelling and subsistence allowances, "Homeworking allowance" that is, an allowance paid to cover the extra costs of working from*

*home, the provision of work related training, the reimbursement of childcare or other carers costs, the reimbursement of a staff members subscription to the Society of Local Council Clerks, the provision of office supplies such as laptop, scanner or stationery and consultants and agency staff. The definition of "staff costs" for the purposes of Line 4 may differ from what is, or is not, treated as taxable earnings by HMRC. In as much as this is a change of reporting basis, corresponding figures from the preceding year must be restated in a similar basis."*

The two-signature rule has been observed by the council and evidenced by the cheque counterfoils being initialled by three signatories to signify agreement with the cheque and the documentation provided at the time of signature.

#### **Recommendations**

- Evidence of all quotations sought and received, in accordance with Financial Regulations in respect of contracts undertaken during the year of audit, should be provided to audit for review and verification.
- The council should always request receipts for sundry items purchased to enable it to validate reimbursements and recover the VAT element of such purchases.
- A balanced schedule of income and expenditure in respect of events, such as the late Queen's Jubilee, should be maintained in support of any future net payments made for such events and provided to audit for review and verification.
- In accordance with last year's recommendation, payments made, which satisfy HMRC simplified invoice rules, should be analysed in the cash book with the appropriate VAT element identified in the VAT column for reclaim purposes from HMRC.
- As recommended last year "Any subsidies paid to the Village Hall should be coded to s.137 in the council's accounts."

		<ul style="list-style-type: none"> <li>● The costs specified by the External Auditor should be the only costs included under staff costs in the cash book.</li> </ul>
4	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p>	<p><u>Assessment of significant risks</u></p> <p><b>Findings</b></p> <p>The council's minutes of the meeting held on the 10th May 2022 record that the "Risk Assessments were reviewed and approved. The Risk Assessment and Management document identifies the protection of council assets, liabilities, control of financial management, insurance provision, legal liability and councillor propriety. Inspections sheets record the inspections of council owned assets. They record the assets inspected and any issues arising from the inspections. Two reports have been submitted to audit for review.</p> <ul style="list-style-type: none"> <li>➤ One covers general council assets and is dated 11th April (<i>no year stated</i>). It records the findings of the inspection and the action required. The section to record subsequent action and the date of completion has not been completed.</li> <li>➤ The other, dated the 10th August 2022, in respect of the play area also records the findings of the inspection and the action required. The dates that the required actions were completed is also recorded.</li> </ul> <p>The recording of the dates that any actions are taken is necessary for management control purposes and to protect the council's interests in the event of damage or injury to a third party as a result of damaged or poorly maintained equipment.</p> <p>It is not known whether more inspections have been undertaken during the year.</p> <p>It is noted that an inspection of the playground was also undertaken by Wicksteed Ltd during the year.</p> <p>I have reviewed the council's insurance cover provided by Hiscox but was unable to identify the levels of indemnity provided by the policy in respect of libel and Slander and Fidelity Guarantee. Also, I was unable to determine whether Fidelity Guarantee covered both officers of the council and all Councillors.</p>



		<p>The council's electronic records are backed up to cloud storage using Microsoft One Drive. They are also backed up monthly to two external hard drives which are kept by the Clerk and the Chairman. They are updated and exchanged monthly. The Clerk has confirmed that the council's computer and external hard drives are password protected.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● The council's asset inspection sheets should be fully completed to include the dates on which any necessary actions were taken. They should also include provision for the Clerk to sign a "reviewed by" box to confirm that they have been checked and to ensure that any follow up actions are completed.</li> <li>● The council should make enquiries with its insurers to ascertain the recommended frequency of inspection for both general assets and the play equipment. Such recommended frequencies should be adhered to in order to protect the council's interests.</li> <li>● The council should make enquiries with its insurance brokers to confirm where in the policy the levels of indemnity for Libel and Slander and Fidelity Guarantee are identified, and whether both officers and Councillors are covered for Fidelity Guarantee.</li> </ul>
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</p>	<p><u>Adequate budgetary process</u></p> <p><b>Findings</b></p> <p>A detailed budget was prepared in support of the 2022/23 budget and Precept.</p> <p>With the exception of November 2022 and February 2023, monthly budget monitoring reports have been provided to each council meeting. They are reviewed by council and are signed by the Chairman. They identify expenditure to date, the original budget for each budget line and the balance remaining. The council's total balances at the 31st March 2023 were £38,312. The Clerk has confirmed that all of the balances represent a general reserve. No earmarked reserves for future projects were included in the budget setting documents, but it is noted that minute 061222/15 on the 6th December 2022 confirmed the Conservancy Group's request that £8,000 be allocated to develop the playing field.</p>

		<p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● As reported last year, when the council is aware that significant expenditure is required in the future, or it has a new project it wishes to fund, the necessary funds should be "earmarked" against such projects.</li> <li>● Such earmarked funds should be formally noted in the budget setting document, thus providing an analysis of total funds between general expenditure and earmarked funds allocated to future projects. This is important as I am required by the External Auditor to confirm that both the council's general and earmarked reserves are sufficient for the council's needs.</li> </ul>
6	<p>Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked?</p> <p>Were security controls over cash and cash equivalents effective?</p>	<p><u>Adequate income controls</u></p> <p><b>Findings</b></p> <p>The council's Precept income of £20,500 agrees to the cash book and the bank.</p> <p>The council also received a council tax grant, grants for the Jubilee, cutting of verges and public rights of way from NLC, a VAT refund from HMRC, advertising in the Newsletter, peppercorn rent from the Village Hall, a donation towards and income from the Jubilee event, refunds from BT and HSBC, miscellaneous and a small amount of bank interest.</p> <p>It is noted that an invoice for advertising (ref 2022/19) that was raised in November 2022, had not been paid prior to the 31st March 2023.</p> <p>I agreed all income received during the year to the documentary evidence provided.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● If not already doing so, the council should maintain a record of invoices raised and paid, to ensure that no invoices remain unpaid.</li> </ul>

7	<p>Were petty cash payments appropriate and supported by receipts?</p> <p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</p>	<p><u>Appropriate petty cash controls</u></p> <p><b>Findings</b></p> <p>The council does not maintain a separate petty cash system.</p> <p>All petty expenditure incurred by the Clerk and Members of the council is reclaimed and reimbursed through the normal payments system and is authorised by council, together with all other council expenditure.</p> <p>The findings and a recommendation in respect of the VAT implications regarding the reimbursement of petty expenditure is included in section 3 of this report.</p>
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p> <p>Has PAYE and NI been correctly deducted and paid to HMRC?</p>	<p><u>Adequate payroll controls</u></p> <p><b>Findings</b></p> <p>The council's new Clerk has a formal contract of employment which contains clear terms and conditions.</p> <p>I have not been able to agree the salary payments to the previous Clerk, including back pay from the previous year's national pay award, as no payslips were made available to audit by the previous Clerk. From the HMRC records provided to audit in respect of the payments from April to December 2022, however, sufficient assurance has been gained that the previous Clerk's pay was correct.</p> <p>The council's new Clerk commenced her employment with the council on the 1st March 2023. The pay due in respect of March was paid in April and will be subject to review as part of the 2023/24 audit.</p> <p>Salary payments have been subject to PAYE and NI regulations. No PAYE and NI was due to HMRC, however, in respect of the previous Clerk's employment with the council.</p> <p>The External Auditor now requires me to check that the council has paid the correct employer pension contributions. It is noted that, in accordance with the Clerk's contract, no such payments are due.</p>

		<p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● All payslips must be made available to audit, including calculations of gross pay when additional pay is due, for example in respect of overtime and arrears as a result of a backdated national pay award.</li> </ul>
9	<p>Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?</p>	<p><u>Appropriate recording of assets</u></p> <p><b>Findings</b></p> <p>The Asset Register identifies the council's assets, date acquired (if known), the location, the purchase price (or nominal value if not known), the valuation for both insurance and Annual Return purposes and details of any disposals.</p> <p>The register was reviewed and approved at the council meeting held on the 10th May 2022.</p> <p>I have checked and confirmed that assets purchased during the year have been correctly added to the register. The three benches purchased in March 2023 have been added to the register at the gross price. As the council is able to recover the VAT element of this purchase and, as the Government require the value of council assets to be recorded at cost price, the net price should have been included in the register.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● All assets purchased by the council should be valued at net cost, i.e., excluding VAT.</li> <li>● The value of the three benches purchased in March 2023 should be amended to exclude the VAT element of the total cost in accordance with Government requirements.</li> </ul>
10	<p>Were bank reconciliations performed on a regular and timely basis?</p> <p>Has a year-end reconciliation been performed and balanced?</p>	<p><u>Adequate bank reconciliations</u></p> <p><b>Findings</b></p> <p>Monthly bank reconciliations, with the exception of November 2022 and February 2023, have been prepared. They are presented in the recommended format to include both of the council's bank accounts.</p> <ul style="list-style-type: none"> <li>➤ It is noted, however, that the reconciliations since December 2022 do not balance. The year-end reconciliation appears to balance but one of the figures is incorrectly stated.</li> </ul>

	<p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p>The year-end reconciliation must agree to the cash book as required by the External Auditor. The treatment of bank interest in the year-end reconciliation, however, has resulted in it not balancing with the accounting records. Also, the Clerk has incurred balancing issues since the year-end caused by the double accounting of bank interest. This is due to interest being recorded in the accounting records on both the Current Account and the Reserve Account spreadsheets. The previous Clerk used to record the interest in the Reserve Account spreadsheet only.</p> <p>Each of the reconciliations has been signed as authorised by the Chairman. It is noted that the Chairman also signs the respective bank statements as evidence that the reconciliations and the statements are in agreement. This is considered to be best practice and an important part of the council's internal financial control systems.</p> <p>The reconciliations have been presented to council monthly as part of the Finance Reports and correctly minuted as reviewed and approved.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● The construction of the council's cash book should be reviewed to enable simpler balancing with the bank.</li> <li>● All reconciliations should reflect the figures in the cash book.</li> <li>● Ideally the maintenance of only one bank account would provide much simpler reconciliations.</li> </ul>
11	<p>Were Accounting statements prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate,</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p><b>Findings</b></p> <p>The year-end statements have been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p> <p>The audit identified the following issues:</p>

<p>were debtors and creditors properly recorded? Has the previous Internal Audit Report been submitted to council and actioned as necessary?</p>	<ul style="list-style-type: none"> <li>➤ Box 3 is incorrectly stated. It should be rounded up to the nearest pound to agree to the cash book. Also, I have received two cash books from the Clerk and for one of them the figure in box 3 does not reflect the total of all other receipts shown in the cash book (£12,618.76 in one cash book and £12,619.66 in the other).</li> <li>➤ As noted in section three of this report, and in accordance with Government guidance, the cost of the provision of the council's payroll provider for February and March 2023, must not be included in box 4, staff costs, on the year-end Accounting Statements.</li> <li>➤ Box 6 needs to be increased to reflect the reduction required to box 4.</li> <li>➤ Box 8 must agree to the year-end bank reconciliation as noted in section 10 of this report. This reconciliation is incorrectly stated, however, owing to payments in the year being incorrectly stated depending on which cash book is correct.</li> </ul> <p>The declaration of assets in box 9 on the Accounting Statement agrees with the total of the Asset Register as at the 31st March 2023.</p> <p>The Internal Audit Report in respect of 2021/22 was presented to council on the 10th May 2022 and it was agreed to action its recommendations.</p> <p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>● The council must allocate the total costs of its payroll provider to office costs in the cash book and box 6, all other payments, on the year-end Accounting Statement.</li> <li>● As a result of increasing box 6 by the total of the cost of its payroll provision for February and March 2023, the figure in box 4 must be reduced by the same amount.</li> <li>● Box 4 must also be re-assessed to reflect which ever version of the cashbook is correct.</li> <li>● Box 8 must be reviewed to agree to a revised year-end bank reconciliation statement that reflects the position in the final (and correct cash book).</li> </ul>
--	---

		<ul style="list-style-type: none"> <li>● The above recommendations must be actioned prior to the submission of the AGAR to the External Auditor.</li> <li>● A revised cash book and Accounting Statement, that fully reflect the recommendations in this report, should be forwarded to Public Sector Audit for record purposes.</li> </ul>
12	If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?	<p><u>Exemption Certificate</u></p> <p><b>Findings</b> The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.</p>
13	Did the council publish information on a website/webpage, up to date at the time of the internal audit, in accordance with the Transparency code for smaller authorities?	<p><u>Transparency Code</u></p> <p><b>Findings</b> Section 2, Accounting Statements, of the 2021/22 Annual Governance and Accounting Return Part 3, identifies that the council's gross income for last year exceeded £25,000. The requirements of the Transparency Code do not, therefore, apply and the council, correctly, did not complete an Exemption Certificate under section 9 of the Local Audit (Smaller Authorities) Regulations 2015.</p>
14	Did the council correctly provide, during the summer, the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations 2015?	<p><u>Exercise of Public Rights</u></p> <p><b>Findings</b> I have confirmed by a review of the council's website that, during the summer of 2022, the council correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the 2015 Accounts and Audit Regulations.</p>
15	Did the council comply with the publication requirements for the previous year's AGAR?	<p><u>Publication Requirements</u></p> <p><b>Findings</b> I have reviewed the council's website and confirmed that the council published the correct documents as required by the Accounts and Audit Regulations 2015.</p>

		<p>It is noted that the Notice of Conclusion of Audit was announced on the 5th October 2022. The guidance on the AGAR for 2021/22 confirms that the "Notice of Conclusion of Audit <b>must</b> be published not later than the 30th September 2022." It is further noted, however, that the External Auditor's Report and Certificate is dated the 29th September 2022 which possibly made it difficult for the council to adhere to the guidance.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The council should, if possible following receipt of the External Auditor's Report and Certificate, publish the Notice of Conclusion of Audit in accordance with the Accounts and Audit Regulations 2015.</li> </ul>
16	Has the council met its responsibilities as a Trustee?	<p><u>Trustee responsibilities</u></p> <p><b>Findings</b></p> <p>I have seen no evidence that the council has sole responsibility for Trust Funds and the Clerk has confirmed that this is the case.</p>



## Executive Summary

The audit has highlighted accounting and Governance issues that must be addressed in order of priority. The red recommendations must be actioned prior to the AGAR being presented to council for approval and prior to it being forwarded to the External Auditor. Other recommendations should be actioned during the current financial year.

In accordance with the JPAG Governance and Accountability Guide for local councils, an action plan should be drawn up to address the recommendations. A timeline for their implementation should be included to ensure that all actions are taken in a timely manner.

It is acknowledged that the council was without a Clerk for some time and the present Clerk took up her post only one month before the year-end. The assistance of the Clerk of the council in the completion of this audit has been very much appreciated.

The consideration and adoption of the above recommendations will serve to strengthen the systems, procedures and governance arrangements already in place.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2022.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

*Public Sector Audit*

19th May 2023

*Public Sector Audit*

**UKCS**

Registered with  
UK Copyright Service  
Reg. No.: 284714616