

Waddington Parish Council

Internal Audit

Year Ended 31st March 2023

Summary

I have carried out an internal audit of Waddington Parish Council's governance & financial affairs for the year 2022-23

Other than AGAR 2021.22 Internal Audit Report, where the Parish Council had complied with all objectives, I have seen no assessment made in the year to 31 March 2023.

The markings in the AGAR Internal Audit Report do, however, have to reflect the performance over the whole year. It is disappointing to need to state that the previous Clerk / RFO was qualified and the Council covered the costs of her training, and the hours spent on such training, without the benefit of any learning outcomes. My opinion is that the Parish Council has been very poorly advised by a Staff Member. It is hoped that the improvements made since the new Clerk / RFO was appointed will continue and that Councillors will undertake training themselves, potentially through Lancashire Association of Local Councils and Ribble Valley Borough Council. In order to show my findings, I have commented in this report on the levels of performance as seen in the books & records provided but appreciate that a comprehensive handover does not seem to have taken place. The Internal Audit has been carried out over a period when there has been a change of Proper Officer & therefore most of my comments reflect on the previous post holder: hopefully as the new Parish Council takes the role forward with a new Proper Officer, improvements will be clear. The Proper Officer may wish to make response to some of the comments in this Report & I am happy to discuss this with her and the Council. I would strongly recommend that "The Good Councillor Guide" is made available to all Councillors who can therefore fully understand separation of roles. A firm start has been made on scrutiny, however Councillors are reminded that Clerk / RFO has a role to guide, but decisions are made by Council, working as a body and never acting alone. It is important to ensure that approval is resolved for any Councillor to act on behalf of the Parish Council prior to such action & that such approval is minuted.

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 Annual Return.

As a reminder of why I have been deemed "competent" to carry out this audit, my relevant experience is as follows:

- Parish Councillor in Samlesbury & Cuerdale for 12 years, up to 2002
- Qualified in 2005 (but not practising) Accounting Technician
- Qualified Parish Clerk & Responsible Finance Officer to Mellor Parish Council from June 2015 to December 2022 and to Bolton by Bowland, Gisburn Forest & Sawley Parish Council from July 2016 to August 2021, Interim Acting Parish Clerk and Responsible Finance Officer to Balderstone Parish Council between September 2019 & August 2021
- Former Secretary of Ribble Valley Area Committee of Lancashire Association of Local Councils

This report is prepared for the Council and Parish Clerk & RFO for use in fulfilling their statutory obligations.

Audit Process

Bank statements, minutes, accounts, cashbook, Standing Orders, Code of Conduct and Financial Regulations and Finance Committee Terms of Reference were all studied. In future, it would enable easier

scrutiny if a backup was provided by email, or memory stick. As there were relatively few transactions during the period, each was assessed for an “audit trail” to establish evidence in meeting minutes for agreement for the expenditure – this has not been possible as Minutes have not included approval of payments– see notes at Audit Area J below.

Findings

I note that the Parish Council took the decision not to have an external audit for the year 2021/22, the expenditure not being such as to require one and that an exemption certificate was issued, however I also noted that the Annual Governance & Accounting Requirements process was not carried out until 11 July 2022 Parish Council meeting & the Minutes record the Exemption from External Audit was approved as the first item. This is contrary to AGAR regulations & the timing breaches the regulatory requirements: details for actions & the timetable are included within PKF Littlejohn’s instructions. This is a duty of Clerk / RFO to ensure correct procedures within timeframe and in order, as advised in Internal Audit 2021/22, but carried out incorrectly.

It is noted that there has been only a single record of training for Councillors, which is less than that to be recommended. No evidence of an Induction Process for new Councillors was evidenced – again this is a recommendation.

The following is a commentary on the completion of the formal assessment for the Annual Internal Audit Report 2022 - 23.

Ref	Audit Area	Comments
A	Appropriate accounting records have been properly kept throughout the financial year.	Marked “no”, since the “Financial Activities” report from Quickbooks has numerous significant discrepancies from the bank statements. New Cashbook has been created, to correct for this, ensuring bank reconciliations. It is not necessary to spend on an accounts package which is beyond the needs of the Council and not understood by the person inputting the data, thus creating errors.
B	This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	Payments details were not recorded in the Minutes and therefore not all Councillors may have approved the expenditure: details showing approval should be evidenced, rather than an unseen report referred to. Accounts by previous RFO did not give a VAT breakdown These should agree to VAT reclaimed, not the VAT shown but unclaimed (e.g. due to lack of detail on invoice to Parish Council.) Minutes in the year do not record expenditure approval, but where Section 137 is used as the appropriate Power, this should be noted in Minutes in addition to the Cashbook. The Good Councillor Guide would give helpful background information, including use of Section 137 Spend and is to be recommended.
C	This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Financial Risk Assessment was deemed to be adequate, but compliance with Financial Regulations needs to be demonstrated: Finance Committee Minutes (as these are public meetings) must be published. The insurance policy has not been examined and as there is no evidence of a current Asset Register this may be inadequate. It is understood more work is being undertaken to establish the Assets held. Minutes suggest that Clerk / RFO & three named Councillors are signatories to payments, but approval of payments by Staff may be considered to lack internal

		controls & it is suggested that Section 5 of Finance Committee Terms of Reference is critically reviewed and any alterations approved and minuted.
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	The Minutes indicate a budgetary process was carried out, with a subsequent Precept Order. However, the supporting breakdown for budget 2022/23 has not been found. Finance Committee Minutes have not been published: therefore progress against budget is not demonstrated. However the Final Accounts show a significant increase on Salary, and backpay has been authorised in addition to a salary increase for the previous Clerk. Investigation and monitoring of the current expenditure against ongoing budget would be indicated as advisory. In view of the reasonable level of precept, expenditure and suitable processes for budget setting this year, this section is marked as compliant. Moving forward, as Council may well move over the threshold for External Audit requirements, greater financial internal controls will be necessary.
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	The precept was as per expectations, and a number of grants were sourced, the work for this carried out by Councillors (rather than Clerk / RFO) hence marked as compliant. Ribbles Valley Borough Council has further funding sources which may be applicable in future, and Rural Funding Digest is a monthly newsletter detailing numerous sources. It is noted that in respect of cash received, Section 9.9 of Waddington Parish Council Finance Regulations was not followed. A full reconciliation of the Allotments Account is advised.
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	Noted that petty cash has been used, for allotments and events, and “double handed” counting would be advisable for the future in order to comply with internal financial controls. A reclaim of £329.17 VAT was made during the year, however supporting documentation for this has not been found & may have been underclaimed, as the current year figure is significantly higher.
G	Salaries to employees and allowances to members were paid in accordance with this authority’s approvals, and PAYE and NI requirements were properly applied.	In the year 2022/23 Chairman has used Quickbooks for payroll function. This is not advisable as the financial role is part of Responsible Finance Officer role and there is no need for paid payroll for under 10 employees. HMRC has a fully functioning “HMRC Basic Tools” free payroll which could be used, with full scrutiny by Council prior to payment approval. Current Clerk verbally informed that due to the level of salary and that she has no other employment, PAYE & NIC are not applicable. Recommend that this is documented, signed and minuted in order to ensure audit trail. The contract for staff needs to clarify any remuneration for additional hours. Staff costs need to be monitored against budget, and in order to recompense Clerk / RFO for use of home for office work (light, heat, telephone, document & equipment storage etc) it is recommended that Home Working allowance (non taxable) for Clerks is researched

		<p>and applied. SLCC Claiming Tax Relief for Homeworking Expenses In view of comments at D above, it is recommended that any additional hours for Staff must be monitored by Parish Council in order to remain within agreed Budget. Staff costs appear excessive over the last year, without minuted approval. It does not appear that mileage is charged for Clerk attending meetings, but this is eligible for allowance purposes at current HMRC rates, outside of salary. There appears to be no record of Member expenses being taken. There is a possible overpayment for holidays to the previous Clerk & the Home Working Allowance was paid for a full year (rather than a weekly allowance) therefore a refund could be claimed for 3 months.</p> <p>Internal Audit 2021/22 commented on the need for registration with Pensions Regulator (even if no pension scheme is needed or appropriate) but this action has not been evidenced.</p>
H	Asset and investments registers were complete and accurate and properly maintained.	Asset Register 2008 has been provided (so out of date) and this is a requirement, including regular review and publication, and it is noted that while there is a noticeboard seemingly owned by the Parish Council and possibly a number of benches, these may be assessed as having only "community value". Hence an asset register could also have a column for insurance / replacement valuation. Clarity of ownership of assets is necessary as a priority, including and land which is currently being registered.
I	Periodic and year-end bank account reconciliations were properly carried out.	While there was no evidence seen of bank account reconciliations during the first part of the year, "periodic" is not a defined term and as a full reconciliation has now been made for this year and indeed previous years, this has been marked as compliant.
J	Accounting statements prepared during the year were 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 debtors and creditors were properly recorded.	Accounting statements for previous year were supplied with books & records for 2022.23 Cash book completed comprehensively for the year. End of year accounting statements presented, awaiting approval & signature. Less than adequate records have been presented throughout the year, which has improved in the final quarter; however in order to fully comply, a full audit trail of payments made during the year is needed. It is recommended that detailed approval with breakdown of approved payments, in addition to current bank balances should be recorded in Minutes. Expenditure appears to be above necessary, particularly regarding the use of Quick Books & Adobe, with the additional cost of training for these specifics. For a Parish Council of this size & expenditure, a simple Microsoft Excel spreadsheet, reconciling to bank statement would be adequate, without cost. It is recommended that Minutes for each meeting include current reconciled bank balance, followed by any schedule of receipts & payments for subsequent approval, all itemised.
K	If the authority certified itself as exempt from a limited assurance review in	An Exemption Certificate was submitted for 2021/22 year, however this was later than the requirements for due legislation

	2021/22, it met the exemption criteria and correctly declared itself exempt. (“Not Covered” should only be ticked where the authority had a limited assurance review of its 2021/22 AGAR)	& did not follow the detailed requirements given by Internal Auditor Report for the year 2021/22. The Parish Council is again able to identify itself as Exempt this year, but this awaits approval at a meeting when public may be in attendance, with signature & then submission within due dates. It is expected that the threshold of £25,000 turnover for the year 2023/24 will be exceeded and therefore greater scrutiny will be required.
L	During summer 2022 this authority has correctly provided the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations.	This was carried out during the summer of 2022 and the advisory dates for the Exercise of Public Rights 2021/22 were later than acceptable for due legislation and hence marked not compliant. It is also noted that within the new website there are omissions in publication of 2021/22 AGAR requirements; Annual Governance Statement, Annual Accounts and Bank Reconciliations for the year to 31.03.2022 were not published.
M	(For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee	Previous AGAR for Waddington Parish Council suggest that no Trust Funds are under the control of the Parish Council, but confirmation is required for this to be not applicable.

Recommendations

- 1 It is recommended that Cashbook allocates full expenditure to give a breakdown of administrative expenditure; Mileage, Home use as separate items. VAT on Claim needs to match the amount on VAT detailed claim.
- 2 No record has been noted of bank signatories or terms of bank mandate .e.g. any two of the four named signatories. It is possible that, if signatories are not recorded, incorrect banking arrangements may occur, particularly over time following changes of Councillors and / or Clerk.
- 3 Minutes – It is advisable (under GDPR) to not name residents within Minutes, better to note e.g. “A Main Street resident” Under GDPR all Declarations by previous Cllrs. must be shredded as they must not be held, since term of office has expired.
- 4 No evidence was seen of comparable quotes for significant expenditure e.g. signage at Playing Field. It is noted that an Annual Playground Inspection is carried out and periodic checks during the year; these may have been, but should be regularly logged RoSPA has guidance on this with a downloadable checklist.
- 5 All Councillors should have some understanding of the roles and responsibilities of being Councillor and an employer and being responsible for their actions as a corporate body. NALC publish various guides, including “The Good Councillor” and “The Good Councillor's guide to being a good employer” which may assist with this. Hard copies can be obtained here: <https://www.nalc.gov.uk/publications>.
- 6 Risk Assessment suggests that financial loss is the responsibility of Clerk – this is incorrect, finances are the responsibility of the corporate body i.e. Parish Council.
- 7 Financial Regulation 5.11 should be amended “... shall be approved in writing by a Member” since no Member may act alone. Instructions for making payments should be reviewed at 6.7, 6.8 & 6.9 as this may cause anomalies following an election year.
- 8 If the owned land parcels are not registered with Land Registry, this should be carried out in the near future in order to safeguard the asset. Guidance may be sought, if necessary from RVBC Legal Dept.