

## **Poringland Parish Council**

*Internal Audit Report 2022-23 (Final Update)*

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*for Auditing Solutions Ltd*

## **Background and Scope**

There is a statutory requirement for all town and parish councils to make arrangements, each year, for an independent internal audit examination of their accounting records and system of internal control, and for the conclusions to be reported in the Annual Governance and Accountability Return (AGAR). Auditing Solutions Ltd was appointed to provide this service to Poringland Parish Council for the 2022-23 financial year.

This report sets out the results of our final audit work in relation to 2022-23, which was undertaken on 5<sup>th</sup> May 2023. It updates the report issued following our interim audit completed in January 2023. We wish to thank Council staff for providing the information and explanations required to enable us to complete our audit.

## **Internal Audit Approach**

In carrying out our internal audit work, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or mis-representation in the year-end Statement of Accounts, employing a mix of 100% substantive testing and selected sampling techniques where applicable.

Our audit programme is designed to afford appropriate assurance that the Council's financial systems are robust and operate in a manner which ensures effective probity of transactions, and also afford a reasonable probability of identifying 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 'Annual Internal Audit Report' in the AGAR, which requires independent assurance over a number of internal control objectives.

## **Overall Conclusion**

On the basis of the programme of work we have undertaken, we consider that the Council continues to maintain an adequate and effective system of internal control. The records held in support of the accounting transactions are of a high standard and provide an effective audit trail, with clear cross-referencing of all relevant documentation. We have completed and signed the 'Annual Internal Audit Report' in the 2022-23 AGAR, concluding that the internal control objectives as set out in that report were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

In the sections below, we explain the objectives of each area of our audit, summarising the work undertaken and our findings. We have discussed the matters raised in our interim report with the Clerk and confirmed that appropriate action has been taken, or is currently in progress, in relation to them, as set out in this report. We are pleased to confirm that there are no additional matters arising from our final audit. We ask that Members consider the content of this report.

This report has been prepared for the sole use of Poringland Parish Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely on, for any reason whatsoever, this report, its content or conclusions.

# Detailed Report

## Accounting and banking arrangements

Our objective is to confirm that the accounting records are being maintained accurately and kept up to date, that no anomalous entries appear in cashbooks or financial ledgers and that appropriate banking arrangements are in place.

For 2022-23, the Council has continued to use the Rialtas ‘Omega’ accounting package to maintain its accounting records, with the Rialtas ‘Facilities Booking Management’ software used to manage all Community Centre bookings.

Day-to-day banking services are provided by Unity Trust Bank, with whom the Council has a current and deposit account. The Council has significant reserves and balances not required for immediate use and these are held in a range of savings accounts and fixed-term deposits.

During the course of our audit work, we have:

- Confirmed that the opening balances recorded on the Omega system for 2022-23 agreed to those in the certified AGAR for 2021-22;
- Verified that the accounting records remained “in balance” throughout the year;
- Confirmed that the coding structure in place for the 2022-23 financial year provided sufficient detail to enable effective budget monitoring to be undertaken – but noting that staff are intending to develop the coding structure further for 2023-24;
- Checked and agreed the detail of the accounting entries in the Omega cash books for three sample months (May and December 2022, plus March 2023), to the supporting bank statements, also verifying inter-account transfers;
- Checked and agreed the bank reconciliations on all accounts, including the term and other deposits, as at 31<sup>st</sup> December 2022 and at the year-end;
- Noted that a bank reconciliation schedule produced from the Omega system continues to be reported to each monthly Council meeting;
- Confirmed that appropriate arrangements remain in place to safeguard the IT systems, through a contract with Microshade, whereby all of the files are held on a remote server and accessed via Citrix, and
- Confirmed that the overall cash balance has been reported correctly in the draft AGAR (Section 2, Line 8).

In our interim report, we highlighted the importance of an independent verification of the bank reconciliations by a nominated Councillor, at the end of each quarter, in accordance with Financial Regulation 2.2. In following up on this matter, we were pleased to note that this was completed for the end of the 3<sup>rd</sup> quarter (31<sup>st</sup> December 2022) and we have confirmed with the Clerk that the year-end bank reconciliation will be subject to an independent verification prior to approval of the AGAR.

### **Conclusion**

***There are no matters arising that require a formal comment or recommendation.***

## Review of Corporate Governance

Our objective is to confirm that the Council has robust corporate governance arrangements in place and that, as far as we may reasonably be expected to ascertain (as we do not attend Council meetings), all meetings are conducted in an appropriate manner and no actions of a potentially unlawful nature have been, or are being, considered for implementation.

During the course of our audit work, we confirmed the following:

- Our review of the minutes of the Council meetings for the year did not identify any issues that we consider may have an adverse effect, through litigation or other causes, on the Council's future financial stability;
- The Financial Regulations and Standing Orders continue to be kept under regular review. Both documents were considered by the Council at its meeting on 5<sup>th</sup> October 2022, with the Standing Orders readopted without any changes, whilst minor amendments were agreed to the Financial Regulations;
- A range of other policies and procedures remain in place, which are also subject to regular review, and
- During 2022-23, the Council continued to exercise the General Power of Competence, which had been formally adopted following the 2019 local government elections.

### *Conclusion*

*There are no matters arising that require a formal comment or recommendation.*

## Expenditure and VAT

Our objective here is to ensure that:

- Council resources are released in accordance with the approved procedures and budgets;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- Any discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- Correct nominal codes have been applied in entering detail in the cashbooks, and
- VAT has been appropriately identified and been the subject of periodic recovery.

We have completed our review of the procedures in place in this area, selecting a sample of non-pay related payments across the financial year to check compliance with the above criteria. Our test sample included all payments in excess of £1,500, together with a more random selection of every 25<sup>th</sup> payment as recorded in the Omega accounts. The total value of the payments in our sample was £168,495, which equated to approximately 49% of total non-pay expenditure in the year.

The Council holds a Unity Trust Bank Multicard, which is used mainly for internet purchases, with settlement made in full by monthly direct debit. During our expenditure testing, we reviewed the payments included on statements for May and December 2022, and February 2023 verifying that there was adequate supporting documentation for payments and that the goods and services purchased were relevant to the Council's activities.

We confirmed that VAT returns continue to be completed and submitted electronically to HMRC on a quarterly basis and reconcile fully to the Omega accounts.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***

## **Assessment and Management of Risk**

Our objective is to confirm that the Council has put in place appropriate arrangements to identify potential areas of risk of both a financial and health & safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks identified, in order to minimise them.

There is a regulatory requirement for the Council to formally review its risk management arrangements at least once within each financial year. We confirmed that this requirement has been met, with the overall financial and management risk assessment, together with assessments of health & safety and operational risks in relation to Council buildings, being approved at the meeting on 1<sup>st</sup> March 2023.

The Council's insurance cover is with Zurich Municipal, under a 3-year contract ending on 24<sup>th</sup> March 2025. The policy includes Public Liability of £12 million, Employer's Liability of £10 million and Fidelity Guarantee cover of £1 million, which is a reasonable level of cover for the size of the Council and the range of activities it undertakes.

The Council continues to pay close attention to its health & safety responsibilities. Annual inspections of the playgrounds are undertaken by the Play Inspection Company to ensure that all equipment used meets the requirements of the relevant national standards. The annual inspections were completed for three of the sites in July 2022 and subsequently reported to the Amenities Advisory Group. The remaining sites were inspected in February 2023 and the results will be reported to the Amenities Advisory Group meeting in June 2023. We confirmed that no high-risk issues were identified in any of the inspections, although the reports highlighted that several pieces of equipment are showing signs of wear and tear, and will require replacing in the near future - in particular, the Junior Play Area at Mulberry Green. We understand that consideration is currently being given to options for upgrading that facility.

We have confirmed that weekly visual inspections and monthly operational inspections of playgrounds continue to be undertaken by an appropriately trained member of staff, with monthly reports being forwarded to the Amenities Advisory Group.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***

## **Budget Setting, Budgetary Control and Reserves**

Our objectives are to confirm that the Council has robust procedures in place for identifying and approving its future budgetary requirements and the level of Precept to be drawn down from the District Council, and also that an effective reporting and monitoring process is in place. We also consider whether the Council is retaining adequate funds in its earmarked and general reserves, both to finance its ongoing spending plans and to cover for any unplanned expenditure that might arise.

We were pleased to note that, throughout the year, the Council received regular updates on its overall bank balances, together with details of receipts and payments. Quarterly reports on performance against the current year's budget are considered in detail by the F&G Advisory Group and subsequently included on the agenda for the next full council meeting, where the Chair of the Advisory Group reports on the key issues arising.

The budget requirements for 2023-24 were determined following detailed review by Members, including initial consideration by the F&G Advisory Group. The budget and Precept were agreed at the Council meeting on 11<sup>th</sup> January 2023, with the Precept set at £214,567 (£195,450 in 2022-23), which is an increase of £8.35 per annum for a Band D property. As in previous years, the Clerk provided a detailed report to Members to inform the decision-making process. As part of the budgetary process, the Council gave consideration to the level of earmarked and general reserves required.

At 31<sup>st</sup> March 2023, the Council's total reserves (including £140,000 held as long-term investments), stood at £996,031, This compares to £1,083,678 at the previous year-end. The largest element of the reserves are commuted sums from "Section 106" developers' contributions, which amount to £546,234. The majority of the commuted sums relate to the Norfolk Homes development, with the main elements being set aside for the Community Land Project and Rosebury Park.

In recent years, the Council has also received significant sums under the Community Infrastructure Levy (CIL), in relation to the David Wilson Homes development. During 2021-22, a large proportion of the CIL was used for the Community Land purchase and, as at 31<sup>st</sup> March 2023, the remaining balance was £51,200. The Council also holds Earmarked Reserves for projects that are underway or have been identified for future years. At 31<sup>st</sup> March 2023 the balance of Earmarked Reserves stood at £63,429.

The remaining balance of £335,168 is held as General Reserves, which is an increase of just under £17,000 on the previous year-end. Last year, we discussed the level of the General Reserves with the previous Clerk, as they appeared to be relatively high when compared to other councils of a similar size. It was explained to us that part of the balance was due to be earmarked to the Community Land Project in the near future. We have confirmed at this year's audit that this is still the Council's intention. However, we would reiterate the importance for Members to keep the level of the General Reserves under review when considering future Precept requirements.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***

## Income

Our objective is to confirm that appropriate arrangements are in place to identify all income due to the Council, to arrange for its collection by way of invoicing or direct settlement and for its prompt banking. We also aim to confirm that fees and charges are levied in accordance with the Council's approved scales, where appropriate. The main sources of income for the Council, other than the Precept, are from hire of the Community Centre and cemetery-related fees.

During the course of our audit, we undertook the following work:

- As noted earlier in the report, we checked and agreed three sample months' receipts in the Omega cashbooks to the bank statements;
- We confirmed that, in accordance with the Council's Financial Regulations, the scales of fees and charges applicable for activities such as Community Centre lettings, burials and other cemetery-related activities are being reviewed annually;
- We tested income from Community Centre lettings by reference to the Rialtas bookings diary for two sample weeks (week commencing 17<sup>th</sup> and 24<sup>th</sup> October 2022), confirming that the bookings records reconciled to the sales invoices raised and that the correct hire fees had been charged;
- We examined the cemetery-related activities for the period 1<sup>st</sup> April to 30<sup>th</sup> June 2022, by reference to the detailed burial records maintained by the Council and the Omega financial system. We confirmed that all entries are supported by appropriate applications and that the correct fees have been invoiced, with payments received and banked in a timely manner, and
- We reviewed the aged debtors' position as at the end of December 2022 and at the year-end, confirming that the amount of outstanding debt remains very low and that effective debt management arrangements are in place.

## Conclusion

*There are no matters arising that require a formal comment or recommendation.*

## Salaries and Wages

In examining the Council's payroll function, our objective is to confirm that extant employment legislation is being adhered to, that the requirements of HM Revenue and Customs (HMRC) legislation are satisfied regarding the deduction and payment over of income tax and NI contributions and that the pension fund requirements are met.

The Council continues to operate a formal PAYE scheme "in house", utilising HMRC's "Basic PAYE Tools" software for this purpose. By reference to the December 2022 payroll, we have:

- Confirmed that the Council approved employee pay rates for the financial year and that these have been duly and accurately applied;
- Checked to ensure that, where applicable, variable hours and expenses have been applied in accordance with approved timesheets and claim forms;

- Confirmed that appropriate tax codes and national insurance table rates have been applied and deductions computed accurately;
- Checked that the correct employee and employer pension contribution rates are being applied, where appropriate (either the Norfolk Pension Scheme, or the Government workplace pension scheme, 'NEST');
- Confirmed that the net payments recorded on employees' payslips agree to the electronic payments identified in the cashbook and relevant bank statement, and
- Verified that the monthly settlements of liabilities for PAYE and the pension funds have been paid over in a timely manner.

In addition, at our final audit, we reviewed the contracts of employment for two recently recruited members of staff and confirmed that these were in accordance with model guidance and that signed contracts are held on file.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation.***

## **Petty Cash**

We are required, as part of the internal audit review and the reporting requirements in the AGAR, to assess the effectiveness of controls in place over any petty cash account in use, ensuring that all payments are appropriately supported, that transactions are made in respect of appropriate items in connection with the Council's functions and that any recoverable VAT is identified appropriately.

At the start of the year the Council held a limited petty cash float. At our final audit visit, we were advised that it had been determined that this was no longer required and we confirmed that the balance had been reduced to nil at the year-end.

### ***Conclusion***

***There are no matters arising that require a formal comment or recommendation***

## **Asset & Investment Register**

The reporting arrangements for assets in the AGAR require councils to report the value of each asset at purchase cost or at a suitable proxy where that value is not known, and for community assets to be valued at a nominal £1. The value of individual assets should not change from one year to another, with the only changes being the inclusion of new assets purchased or removal of assets disposed of.

An Asset & Investment Register is maintained, using a spreadsheet, which is updated on a regular basis for purchases and disposals. During our final audit work, we confirmed that the Register had been updated for all purchases and disposals of assets in the year and that it also records the long-term investments held as at 31st March 2023.



We have confirmed that the value of assets and long-term investments held at the year-end, £2,110,773 (£1,977,406 at the end of the prior year\*), has been reported correctly in Section 2, Line 9 of the draft AGAR. The main change in the overall value is the addition of new long-term investment with the Hampshire Bank (see ‘Investments and Loans’ section below) and the purchase new kitchen equipment.

\*NB: At the request of the external auditors, the value of assets held as at 31<sup>st</sup> March 2022 has been restated to include the cost of the purchase of community land at Stockings Meadows in October 2021 (£132,587), which had been omitted in error.

### **Conclusion**

*There are no matters arising that require a formal comment or recommendation.*

## **Investments and Loans**

Our objectives are to confirm that the Council is investing surplus funds, be they held temporarily or on a longer term basis in appropriate banking and investment institutions, that an appropriate investment policy is in place, that the Council is obtaining the best rate of return on any such investments made, and that interest earned is brought to account correctly and appropriately in the accounting records.

In line with the ‘Statutory guidance on local government investments’, there is an approved investment strategy in place. This was most recently updated and re-adopted by the Council on 27<sup>th</sup> January 2021.

For the past few years, the Council has held a proportion of its funds in long-term investments (i.e., either fixed term investments of over one-year, or in stocks and shares). The long-term investments currently held are a 3-year business bond of £110,000 with the Hampshire Trust Bank, which will mature in July 2025, and shares held in the Fidelity Index UK Fund, with a purchase cost of £30,000.

The Council has one outstanding PWLB loan in place, which relates to the construction of the Community Centre. At our interim audit, we checked and agreed the instalments repayments (capital and interest) made in the year to the PWLB third party demand notices. At our final audit, we confirm that the total payments in the year and the outstanding balance at the year-end have both been reported correctly in the 2022-23 AGAR (Section 2, Lines 5 and 10 respectively).

### **Conclusion**

*There are no matters arising that require a formal comment or recommendation.*

## **Statement of Accounts and AGAR**

We have examined the draft of the statutory “Accounting Statements 2022-23” which the Council is required to complete and approve at Section 2 of the AGAR. We have agreed the detail to the supporting accounting records and other related documentation.

### *Conclusions*

*There are no matters arising that require a formal comment or recommendation. We look forward to receiving a copy of the finalised AGAR (Sections 1 and 2), once the document has been approved by the Council.*

*On the basis of the work undertaken during the course of our review for the year, we completed and signed the 'Annual Internal Audit Report' on Page 3 of the AGAR, on 5<sup>th</sup> May 2023, assigning positive assurances in relation to all areas of internal control.*